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14

A Study on Issues & Challenges of Crypto Currency in India

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ABSTRACT

Cryptocurrencies is a decentralized form of money, meaning that it is not regulated or controlled by a central bank. Investments are made securely using block chain technology. There are several different forms of them, which are based on finite resources like land. Concerned about above-average population growth but no increase in land. The prices of it also fluctuate in line with the supply and demand of the market. Rules, usage, and regulations vary from one country to the next, but the overall cost will be the same everywhere. Due to the expansion of online services, purchasing, selling, transferring, and even trading in intangible of it is now possible. In this project, I have explored how various nations responded to it and provide a comprehensive picture of the concerns and obstacles that India & last three years of performance.

INTRODUCTION

What is cryptocurrencies?

The prices of it also fluctuate in line with the supply and demand of the market. Rules, usage, and regulations vary from one country to the next, but the overall cost will be the same everywhere. Due to the expansion of online services, purchasing, selling, transferring, and even trading in intangible of it is now possible. In this project, Explore how various nations responded to it and provide a comprehensive picture of the concerns and obstacles that India has with regard to it.

Although this fundamental aspect of the technology has come under scrutiny as they are in popularity, it is usually always intended that they be unaffected by and unregulated by the government. Example Bitcoin was the first blockchain-based one, and it continues to be the most well-known and valued. **"Satoshi Nakamoto"** is the name of a person or group who created it in 2009.

A real currency exchange where CC may be traded for cash. The price of this particular coin reflects interaction with actual economies. Establishing an exchange rate is necessary to manage financial exchange.

Additionally, it is a transparent currency that can be converted into actual cash. Depending on the exchange rate, there are numerous online markets where bitcoins can be traded for real money and vice versa.

Customers on other platforms get discounts instead of collection points, which they may use to buy actual products and items at point-of-sale provider stores like Tesco Club Card Points. On low-level marketplaces, clear investments can also be traded for clear assets. VEN, for instance, let users trade money for real products and commodities like apparel, jewellery, and precious metals.

Digital currency can be used by consumers to pay for daily necessities. Customers can gain from, for instance, converting points gathered from mobile networks into cost-free minutes and texts. Additionally, holders of Avios points can use them to purchase travel-related services like trip insurance.[12]

Top cryptocurrencies in India.

1.Bitcoin (BTC)

[12] https://en.wikipedia.org/wiki/Cryptocurrency

Price today: INR 23,74,025(22-03-2023)

Bitcoin is a well-known among Indians. This is the first with a substantial market value at the moment. following an all-time high of about 47 lac on November 12, 2021. The greatest moment to purchased, if you have the money, is right now because the price has decreased by approximately 30%.

2. Ethereum

Price today: 149,211.4 (22-03-2023)

The 2015 Ethereum is currently the second-largest digital currency by market value, after only bitcoin. After January 2021, its value surged and reached up to three million; ether's market worth is around one-tenth that of a bitcoin. Realistic smart contracts for the digitalization of transactions, which are employed by many businesses, are Ethereum's primary focus. It operates with decentralised applications without interruption, power theft, or interference from other parties.

3. Dash Coin

Price today: INR 48661.05 (22-03-2023)

Dash is an other. It is an altcoin that have same rules of above. It is also a decentralized autonomous organization run by its users.

4. lite coin:

Price today: INR 7928.3 (22-03-2023)

Launched in 2011 with a minor distinction that is a change in transaction cost and is known as a silver to gold bitcoin.

5. Bitcoin Cash:-

Price today: INR 335.29 (22-03-2023)

The native of exchange is referred to as. It. It is a form of a fork of them. It is a spin-off or altcoin that was created in 2017. In November 2018, Bitcoin Cash split further into2 forms: Bitcoin Cash and Bitcoins[13]

CHALLENGES:-

In present additional financial and security problems.it have been looked at numerous research and platforms, as well as other digital currency trading platforms, to analyze the obstacles and opportunities in that setting. The following are some of the most serious issues and implications of digital money.[14]

Threats: If hackers and malevolent people can break down the system and discover how to make clear money, they can make as much money as they want. It enables you to steal virtual currency by generating fictitious virtual cash or manipulating account ratings. Selling game stuff and real money, for example, is against World of Warcraft game policies. As a result, many buyers visit gold-selling websites and acquire transparent gold to pay for the real things they require. Many gold-selling websites are untrustworthy and compromised, and many customers say that they paid real money for free or that they received counterfeit money.

Concerns about system failure: Because it is not based on demand and supply, the unrestricted distribution of apparent riches to different taxonomic groups causes economic challenges. To maximize real-world earnings, some providers, such as Second Life, may issue unlimited linden dollars and enhance their apparent asset prices. On the other side, it will have to deal with inflation and financial issues, which will lead to the monetary system's collapse.

Impact on real-world monetary systems: Because certain apparent economies are intertwined with real-world economies, they have an impact on real-world money demand and supply. Allowing users to purchase real-time goods and services on particular platforms, for example, can decrease the need for real money. Consumers no longer use real money to

[13] https://en.wikipedia.org/wiki/Cryptocurrency
[14] https://www.juscorpus.com/legal-challenges-and-issues-in-regulation-of-cryptocurrency-in-india-a-critical-and-exploratory-analysis/

get what they want; instead, they spend real money. On the other hand, some platforms allow users to trade virtual currency for virtual currency, increasing demand for real-world currency. These movements have an impact on the real-world economy.

The dangers of gold mining: In China and other emerging countries, the phrase "gold farming" is commonly used. Gold farmers were people who played social games like World of Warcraft to make real money and then sold it for real money. Users who do not have enough time to play and compete for real money are the target audience. In fact, the majority of the cash flow is routed through the unpredictable and fluctuating gold farming process. This increases the danger of fraud and money laundering in cases when virtual currency is exchanged for real money in an untrustworthy environment.

The value of a virtual currency fluctuates: According to a Chou & Goo study, when a scene's popularity falls, so does its apparent monetary value. Users possessing 10,000 units of virtual currency, for example, can select from a list of 1000 goods. If the source of that real money fails, users can only buy 100 products with their 1000 units because failure results in fewer goods and services, which is especially true in small communities.

Laundering of funds: The usage of VC raises the potential of money laundering, particularly with platforms that let customers swap virtual currency for real money. In another example, police detained a group of 20 persons in 2010 for abduction for $ 40 million. The organization transferred $ 40 million from Korea to a Chinese paper company to pay for the purchases of gold mining industry members.

Fraud identity: Financial transactions cannot be scrutinized extensively because most virtual currency platforms, such as social media and social media, do not demand authenticity. Game players and users can set up many phony accounts and use them to conduct unlawful transactions. There is no way to know who established or released the original fund. If there are transactions, that are difficult to detect is a criminal suspicion of money. Criminals can even pay for their crimes anonymously and in real time.

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black market: Some financial gaming platforms, such as Second Life and World of Warcraft, are advanced enough to sustain a virtual money black market. The growing popularity of online virtual currency has resulted in the development of a thriving black market for real-money trading. Other instances of fraud have been discussed by people on various social media channels. 29 If a player decides to leave the game, he may wish to sell the clear money he has accumulated by sending it to the stadiums. Because many malicious users may fail to complete the payment or dispute it after it has been completed, the payment method is dangerous. In this situation, they will be compensated for the additional income.

CRYPTO ISSUES & LAW

The RBI has not recognised as currencies, and non of them -specific legislation or regulations have been enacted in India to far. Because cryptocurrencies lack a clear legal definition, they are currently governed by a variety of legal restrictions. Cryptocurrencies may be classified as a "computer programme" under the Indian Copyright Act of 1957. This is a set of instructions written in other formats, such as computer-readable media, such as words, codes, schemas, or computers, that performs a given task or achieves certain results. Furthermore, theys are probably certainly intangible "goods" under the Sale of Goods Act of 1930. Foreign exchange taxation, service taxation (if , mining is considered a service), and revenue taxation.

However, on taxation remains a fuzzy issue, and the regulatory climate is much more ambiguous. The purchase of by Indian residents can be seen as importing software or computer programmes into India under currency control rules. This necessitates adherence to applicable exchange control rules, particularly the RBI's policies on importing goods and services. Concerning intangible substances made in India. The RBI also supervises "payment systems" and "prepaid equipment" that require prior clearance from the RBI and adherence to relevant RBI regulations/instructions, on the other hand, may not be regarded as payment systems as long as they are not recognised as a payment system capable of settling payments between payers and beneficiaries and providing insight into the continual swings.

The use and trading of them, on the other hand, protects information / sensitive personal data. To comply with the rules of information protection, each of the it needs the usage. It may

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cause privacy concerns, such as not knowing how to deal with it. The Information Technology (Reasonable Security Practises and Procedures and Sensitive Personal Data and Information) Regulations of 2011 are the Regulations for Compliance with Indian Law, specifically the IT Act (2000). Following a nationwide survey that revealed $3.5 billion in transactions in 17 months, the IRS delivered tax returns to thousands of dealers. As a result, before establishing the status.[15]

The following regulations must be followed when dealing with cryptocurrencies.

- The Exchange Management Act, 1999 ("FEMA")
- The Federal Reserve Bank of India Act, 1934 ("RBI Act")
- The Coinage Act, 1906 ("Coinage Act")
- Indian Contract Act, 1872
- The Payment and Settlement Systems Act, 2007
- The Securities Contracts (Regulation) Act, 1956 ("SCRA")
- The Sale of Goods Act, 1930."

The Union Government recently considered a ban on private ,in a new measure titled " and Official Digital Currency Bill Regulations, 2021" (Bill 2021). If this bill is passed, all private coins, will be illegal in India. Under the law, the Government of India discussed with its creation. India will gain several benefits if it develops its own systematic blockchain. For example, transactions are more secure.

Because India controls, there is no additional change in its value. India's legislation is strictly enforced. This could include specific legal prohibitions against the exploitation of its mechanisms. Because of them are implemented using blockchain technology, their verification techniques are also transparent.

However, India confronts various them have related issues, such as identifying unlawful transactions. At the moment, the number of them trades is expanding. With a stronger legal

[15]Journal of Positive School Psychology http://journalppw.com 2022, Vol. 6, No. 5, 8580-8587

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environment and laws, it have the potential to deliver many benefits to India. Here are several examples: they provide Indian businesses with an alternate business environment. Indian engineers are permitted to develop new technologies that can lead to the creation of new jobs by paying consumers. You will discover strategies. The brokerage fee is low, and the transaction can be completed for a low cost.[16]

Reserve bank's Digital Rupee

Cryptocurrencies are now governed by a variety of legal regulations. Cryptocurrencies may be classified as a "computer programme" under the Indian Copyright Act of 1957. This is a set of instructions written in other formats, such as computer-readable media, such as words, codes, schemas, or computers, that performs a given task or achieves certain results. Furthermore, theys are probably certainly intangible "goods" under the Sale of Goods Act of 1930. Foreign exchange tax, service tax implications (if mining is deemed a service), and earnings from , sales are all factors to consider.

The definition of the virtual asset has been brought to regulatory concerning all of them and NFTs in the 2022 financial budget statement, via the 2022 Bill. The government has reserved the right to classify or declassify any and/or NFT from the manufacturing internet of this definition. This provision is undoubtedly included to prevent India's Digital Rupee or Central Based Digital Currency ("CBDC"), i.e., the projected new digital variety of exchange to be added by the Reserve Bank of India(The Economic Times,2022) ("RBI") from becoming a tax/regulation subject under the 2022 Bill.[17]

Legislators made this proposal after key social media sites (YouTube, Twitter, and Facebook) were tested and implemented in the 2021 Mediation Guidelines, earning the title of "Important Social Media Mediators." You have the authority to promote it for your ruleset. Recognising some major currencies, on the other hand, may not be perfect, because the issue here is not the recognition attribute, but the underlying technology.

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[16]Journal of Positive School Psychology http://journalppw.com 2022, Vol. 6, No. 5, 8580-8587

[17] https://www.mondaq.com/india/fin-tech/1145012/cryptocurrency-bill-2021-the-road-ahead

Given the foregoing, isn't it an ethical matter whether to "permit" the trade of it (see "Technical Obstacles to it Bans" below)? Or are they allowed by law? Some pertinent questions and potential demands can be found in tax patterns, allowing advertising, permitting centralised crypto exchange, and recognising the strength of the crypto ecosystem's crackdown (if any). In light of this, this paper addresses legal and practical problems in comprehending the complex crypto ecosystem. The Union Government's stance on cryptocurrencies is cautious, as seen by the proposed tax framework and, as a result, the administration of an equivalent. According to the Annual Budget Bill, 2022 ("2022 Bill"), proposed amendments to the Income Tax Act 1961 ("IT Act") are made, wherein income derived from virtual and digital assets (cryptocurrencies and NFTs) will be taxed at a 30% rate (Bill No. 18 of 2022).

Technical distinctions between crypto-money and Central Bank Digital Currencies Other than government backing, there is a fundamental difference between a planned CBDC and a non-public cryptographic money. The CBDC will be supported by permissioned blockchain innovation, as opposed to permissionless blockchain innovation, which is commonly used by other individual cryptographic forms of money.

The permissionless blockchain innovation is a public place in which anyone may contribute (make/mine money) by adding hubs to the blockchain. As a result, anyone can mine Bitcoin with complete innovation support. However, with the legalisation of blockchain science and more explicitly CBDCs, only the central government and other government-approved establishments can mine, direct the amount, and manage the accessibility of blockchains. CBDC. In fact, intermediary blockchains include an entry control layer in the hubs of the blockchain, which prevents unapproved clients from creating/adding hubs.

This science has been demonstrated to be very valuable for banks, state controlled administrations, and foundations in utilising blockchain innovation, however the public authority of India's advanced rupee cannot actually access this circumstance. In any way, digital forms of money may not be referred to as installment frameworks as long as they are

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not viewed as an installment framework capable of settling installments between payers and recipients and comprehending the regular variations in the value of digital currencies.

However, the use and exchange of digital forms of money protects data/sensitive personal information. To follow the requirements needed under data assurance, all digital currencies require the use of cryptographic forms of money. It can cause security problems, such as not knowing how to deal with it. The Indian Law Compliance Regulations, specifically the Information Technology Act of 2000. [18]

Technical impediments to a ban The continuing draught of the and Regulation of Official Digital Currency Bill, 2021 ("draught Bill") attempts to boycott all confidential cryptographic forms of money in India, among other things. Nonetheless, it is important to recognise that the entire nature of the cryptographic money environment is decentralised. Because no brought together element or authority is functioning the environment, the firm cannot be restricted/controlled from the start. What is commonly managed/prohibited is the utilisation, holding, exchanges, and so on that the draught Bill appears to have sought? The government favours restricting cryptographic money for four reasons: unpredictability in costs, the risk to purchasers with digital assaults and Ponzi schemes, the impact on power utilisation (a study found that around 19 families in the United States are frequently fuelled for sooner or later with power utilised for one exchange of Them), and finally its potential use in crime, for example, disguise, psychological oppression, and so on (Author, G. 2022). This could include specific legal prohibitions against the exploitation of its mechanisms.

They are implemented using blockchain technology of them -related issues, such as identifying unlawful transactions. At the moment, the number of trades is expanding. With a better legal environment and laws, cryptocurrencies can bring many benefits to India, as their popularity grows. Here are several examples:it provide Indian businesses with an alternate business environment. Indian engineers are permitted to develop new technologies that can

[18] https://prsindia.org/billtrack/draft-banning-of-cryptocurrency-regulation-of-official-digital-currency-bill-2019

lead to the creation of new jobs by paying consumers. You will discover strategies. The brokerage fee is low, and the transaction can be completed for a low cost.

Decentralized environment

After learning about the key technical impediments to crypto prohibition, the Indian government's intention would necessitate the formation of a fin-tech team, the development of a strategy, the installation of restriction machines, the revision of laws, and so on. Technological impediments exist as a result of a decentralised environment, as discussed below.In general, there are three ways to transact in cryptocurrencies: through

1. **Organised Exchange ("CEX"):** To trade cryptocurrencies on CEX, you must share personal facts, link checking accounts, and meet with KYC regulations. This is frequently one of the most popular legitimate techniques of exchanging .CEX allows users to transfer fiat currency linked to their checking accounts into cryptocurrencies. Through this strategy, the government is immediately informed of its , holdings and transactions. Today, there are numerous domestic CEXs, such as CoinDCX and WazirX. Transactions can potentially be taxed just for the transparency and compliance that Cass provides.
2. **Decentralized Exchange ("DEX”):** Many DEXs, such as Uniswap, MetaMask, and Pancakes, do not require or even allow users to comply with KYC norms in order to open an account. You will reveal your identify and personal details on your own. To begin trading DEX, one does not even need a checking account. When you create an account, the site will build a separate digital wallet with a unified address (unique to each user) to make their transactions using the alphanumerical code for the recipient address. The ID is DEX protected, and the platform is usually unaware of the user's ID. Typically, cryptocurrencies are traded on DEX through using/exchanging P2P, centralised exchange, or stable coins purchased directly from DEX.
3. **Peer-to-peer ("P2P") exchange**: With a simple web search, a few people on Telegram, WhatsApp, and other messaging apps have developed a crypto community that makes P2P transactions directly in cryptocurrencies utilising DEX. You can locate the group. Traders can immediately swap cryptocurrencies for cash, other cryptocurrencies, and

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other valuable assets. P2P exchange is just a network technique for the traders to exchange their DEX holdings. Assume non-public cryptocurrencies are prohibited. In this scenario, imposing such a prohibition is difficult since digital wallets based on DEX that include s are difficult to track.Although DEX sites are frequently restricted from within the United States due to implementation issues, the possession and sale of private coins in such digital wallets is also becoming unlawful. As part of the investigation, your smartphone and machine may be confiscated. However, whether compelling the criminal to provide his password / digital pockets tackle constitutes self-incrimination remains a contentious prison problem. It may improve alternative case law first. As a result, law enforcement agencies must update their skill bases and collaborate with more moral professionals. At the same time, they must improve assistance software for investigation and crime detection in this field.[19]

Comparative analysis of Globally[20]

Table 1

Basis	USA	European Union	India
Legal Definition	"a digital or virtual currency that is secured by cryptography" (Investopedia ,2022)	"Unregulated digital money" (report,2021)	No definition
Form	Currency (property by IRS for taxation purpose only)	Commodity (moveable nontangible Assets)	Multiple form as no specific law defines it
Legal Status	Virtual currency: - allowed	Commodity (moveable nontangible Assets)	No Clear status
Legislation	One federal law and	One common directive	No Clear status

[19] Journal of Positive School Psychology http://journalppw.com 2022, Vol. 6, No. 5, 8580-8587

[20]Journal of Positive School Psychology http://journalppw.com 2022, Vol. 6, No. 5, 8580-8587

	different law by different states	and member countries has different law as per directive	
Taxation	3 different brackets for long term gain and 6 brackets for short term gain	Exempted for 5 years from 2018	30% on income 28% GST 1% TDS
Market Valuation	14 million investors $2.2 billion (J. Caporal,2021)	$5.165 billion (QYResearch Group,2020)	15-20 million investor ($5.37 billion) (Anand, N. (2022,)

Positive impacts of

1. There is no requirement for a third party. All transactions are completed on at least one basis, making audit trials easier to establish.
2. These currencies have the potential to overcome the issue of social trust while also extending the growth process in poor countries.
3. Unlike traditional payment systems such as debit and credit cards, they do not impose a processing fee because transactions are conducted by the crypto currency's public network, Blockchain technology.
4. Credit or debit cards are frequently processed in two or three days. Transactions with of thems take 10 minutes to clear. This demonstrates that the pace of transactions is particularly fast in the case of .

Negative impacts of :

1. 1.The value can fluctuate dramatically in a short period of time, making trading with them more difficult for marketers.

2. 2.While the tiny print of users is kept in a public ledger, there is frequently an issue when it comes to client identification or fraud protection. This demonstrates the system's absence of privacy.
3. 3.It work digitally, therefore proof of ownership is limited to the private keys, making them a prime target for hackers because many business executives are uninformed of how to protect this new type of digital currency.
4. They are thought to be harmful to the environment. This digital currency use blockchain technology, which forces computers all around the world to solve difficult equations in order to validate transactions. This is known as data mining, and it can be profitable. As a reward, the person involved receives a of them. This computation technique requires a significant amount of electricity.[21]

RECOMMENDATIONS

It is time for India to move away from traditional payment systems and become a leading active participant in the approaching IT-based era. A ban on such currencies would demotivate start-up entrepreneurs, thus it is not the best answer. What is vital is that effective regulation of specific KYC rules be implemented. All that is required to try to nudge policymakers in the correct direction. This type of digital transformation will provide new job opportunities at all levels, from IT developers to marketers, slowing the rate of unemployment and, ultimately, helping to revitalise the economy's poverty line.

Guideline: To avoid major challenges, avoid misuse, and safeguard innocent investors from disproportionate market volatility and potential fraud, guidelines are required. Guidelines must be powerful, transparent, consistent, and motivated by a vision of progress and the goals they seek to achieve. Among other things, the present draught of the and Regulation of Official Digital Currency Bill, 2021 ("draught Bill") intends to outlaw all private cryptocurrencies in India. However, it is important to note that the in this ecosystem is

[21]Journal of Positive School Psychology http://journalppw.com 2022, Vol. 6, No. 5, 8580-8587

entirely decentralised. Many exchanges have survived thanks to peer-to-peer and crypto-to-crypto trading without the participation of a middleman.

Definition of electronic money: Under appropriate state legislation, legal and legislative frameworks must classify a as a security or other monetary instrument and establish administration within their jurisdiction. Cryptocurrencies may be classified as a "computer programme" under the Indian Copyright Act of 1957. This is a set of instructions written in other formats, such as computer-readable media, such as words, codes, schemas, or computers, that performs a given task or achieves certain results. Furthermore, theys are very probably intangible "goods" under the Sales of Goods Act of 1930. Foreign exchange tax, service tax implications (if mining is deemed a service), and earnings from them sales are all factors to consider. This creates a great deal of ambiguity for taxation and other legal purposes.

Strong KYC Standards: Instead of simply prohibiting cryptocurrencies, governments should regulate them through strong KYC rules, reporting, and taxation. We currently have a KYC system in place for banking, where the Permanent Account Number is linked to Aadhar, which is registered with a mobile number, and the bank account of the holder is also linked to Aadhar; a similar interlinking can be utilised for crypto wallets.

Ensuring Transparency: To meet transparency concerns, information accessibility, and consumer protection, recordkeeping, audits, independent audits, stakeholder complaints resolution, and alternative dispute resolution may all be well-thought-out.

Arousing the Wave of Entrepreneurs: Cryptocurrencies and blockchain technology are generating a new crop of entrepreneurs in the Indian start-up sector, including blockchain developers, designers, project managers, and homeowners. Analysts, developers, and marketers. Create career possibilities at various levels all the way up to.

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Conclusion

According to the findings of this study, is riding the new technology wave. Its growing importance is due to the need to deal with the future digital revolution period. Despite the fact that there are numerous hazards associated with this digital money, billions of dollars have been invested in it because to its permanent transparency, traceability, low transaction costs, no processing fees, and status profits. A blanket ban is something else, but if they prohibit the use of digital currency, it will present problems for investors.

Among other things, the present draught of the and Regulation of Official Digital Currency Bill, 2021 ("draught Bill") intends to outlaw all private cryptocurrencies in India. However, it is important to note that the, ecosystem is entirely decentralised. Many exchanges have survived thanks to peer-to-peer and crypto-to-crypto trading without the participation of a middleman.

This could include specific legal prohibitions against the exploitation of it mechanisms. Because cryptocurrencies are implemented using blockchain technology, their verification techniques are also transparent. However, India confronts various -related issues, such as identifying unlawful transactions. keep this information private. At the moment, the number of trades is expanding. With a stronger legal environment and laws, it have the potential to deliver many benefits to India.

The Indian government should take the required steps to control such digital currency, which is the way forward for lucrative business and economic productivity.

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