

# Cryptocurrency Usage in India

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## **Introduction**

In this era of Web3.0, individuals have more methods of payments available to them than they have money! But, according to Reserve Bank of India (RBI), this is not at all funny. As the number of cryptocurrency users in India is rising rampantly, RBI fears not only the increasing rate of illegal activities such as illegal transactions or money laundering, but even fears the ultimate threat: the collapse of the Indian monetary system. Interestingly, the solution to overcome this problem and to save the Indian monetary system from the claws of foreign cryptocurrencies is to generate yet another method of payment, which is Central Bank Digital Currency (CBDC). This article deals with some basic properties of these digital currencies and explains briefly how the Indian monetary system feels threatened by them.

## **What is cryptocurrency?**

Cryptocurrency is a digital mode of exchange. With the help of some cryptocurrency exchange applications (apps) the wealth of a person is transformed into some encrypted digital codes and these codes are used for transactions. Unlike any other digital payment options in India such as UPI (Unified Payments Interface), Unstructured Supplementary Service Data (USSD), Internet Banking, Banking cards or Aadhaar Enabled Payment System (AEPS), cryptocurrency does not have any authentic intermediary like a bank. The transactions made with cryptocurrency, therefore, take place in the incognito mode i.e. no third party can know who is paying what amount to whom or for what purpose,

neither can anyone impose any restrictions upon it - not even the Government. Like Mr. India, any user can become invisible! But unfortunately, the common users of cryptocurrency are not here for any heroic deeds. Rather, this magical power is misused for performing illegal transactions.

### **Is this a real currency?**

Despite its name, cryptocurrency does not follow the main three qualities of a proper currency.

1. No authorized issuer: There is no person who will take the responsibility of paying the final amount of any cryptocurrency. The coins issued by Government of India or the banknotes issued by RBI are always guaranteed by the Central Government. By not having any issuer, cryptocurrency fails to become a legal tender.
2. No intrinsic value: There is no base by which the value of any cryptocurrency can be evaluated. So the value keeps fluctuating due to unprecedented events.
3. No store of value: Many people consider the demand for cryptocurrencies to be a speculative demand for money. Investing in any cryptocurrency involves high risk and thus, it cannot be used as a store of value.

### **Then why are people using cryptocurrencies?**

An investigation by Presthus and O'Malley reveals that users are motivated to adopt various cryptocurrencies such as Bitcoin because of their own technological curiosity rather than for its need. But the more recent studies speak otherwise. A large number of wealthy Indians are observed to have bought properties in Dubai under the veil of cryptocurrencies and are thus gaining expertise in tax evasion. How did they get observed? Can the invisibility be decrypted? No. But the veil works best when both the buyer and the seller seek anonymity. The real estate market of Dubai, of course, is not an illegal market. So, the sellers do not feel the need to hide anything. They require identity-proofs of the buyers for the registration of the property being sold. These proofs can well

be found out by the Indian Income Tax Department if Dubai Government cooperates. Thus, there is risk both in terms of money and in terms of anonymity. Still, those risks are not enough to restrain the high tide of cryptocurrency users in India. A survey of the number of downloads of the cryptocurrency exchange apps reveals the huge user base.

Number of cryptocurrency users in India		
Year	User base	Time spent on crypto platforms (minutes)
March 2020	6 million	149 million
March 2021	17 million	1.7 billion
March 2022	90 million	6.1 billion

Source: Comscore

### **Cryptocurrency: Not a currency, but a social movement**

Nassim Nicholas Taleb writes on Times Magazine that Bitcoin (the most used cryptocurrency) works against an Orwellian future. Indeed, no one wants to be spied all the time. Thus, the decentralized system of the blockchain technology that is used in the cryptos, which bypasses all controls of the financial system is wanted by many individuals and institutions so that they can protect their privacy and thus, project the potential of a social movement. In the blockchain system, nothing can be traced or confiscated by the governments (if the regulatory pitfalls of foreign trade are taken care of). But who created this new technology?

### **The mysterious villain (or hero..?)**

It is one of the most unnerving mysteries in the technological world. No one knows who invented the famous blockchain system. The developer calls himself (or herself? Or themselves? Who knows?) Satoshi Nakamoto. Previously, there was a double-spending problem in case of using electronic money without any reliable intermediary. Since the e-money is just some combinations of codes, those could easily be replicated and

thus, could create false money. This problem was solved by Satoshi Nakamoto, a name which belongs to no one. Some can blame Nakamoto for inventing something which contributes so much in illegal activities. But Nakamoto invented a step for a better world, since the use of blockchain system is not limited only to e-currencies but is also being used in medical sciences.

### **How does cryptocurrency threaten the Indian monetary system?**

The most used cryptocurrencies are owned by the Advanced Economies (AEs) like United States and are priced in terms of dollars. Therefore, more use of these currencies would add to the growth of those countries. Gradually, they will have so much power that they will be able to control the susceptible emerging markets like Indian market, by replacing them with their own. RBI launched a pilot CBDC (Central Bank Digital Currency) project on November 1, 2022, and plans to launch the final project very soon, as a means to find the solution to the threat. The aim of CBDC is to replace private cryptocurrencies by meeting the need of users for digital currencies.

### **Conclusion**

The concept of cryptocurrency is a complex one. It is found that even the users are not always aware of the science behind the system and are thus regularly becoming subject to theft and suffering great losses. Even experts argue over the uses and threats of cryptocurrencies. It is known that a developing country like India lacks the technological power to control the digital currencies as the AEs can. Thus, great importance should be given to the digital skill development of the youth of India by introducing more courses related to digital currencies which will be affordable to the students.

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