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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

THE ADVANCEMENTS OF CRYPTOCURRENCY: IMPACT AND CHALLENGES

AUTHORED BY - ASHOK PRIYADARSHAN.R¹

ABSTRACT:

Due to the rapid growth in technology, “FINTECH” has become a boon for people to make transactions online. It's backed up by blockchain and various technologies that render opportunities as well as hindrances to the financial sectors and individuals.

The concept of cryptocurrency evolved in 2008 with Bitcoin. In today's world, investment in bitcoins, a cryptocurrency, is in a growing phase. Many nations have legally recognized cryptocurrency, such as the USA, Canada, Japan, and Singapore, etc., and in some nations like China and Saudi Arabia, it's illegal to use Bitcoins.

However, India doesn't make any clear classification of legality, but it allows investment and uses it for Online purchases of goods. This creates an impact either directly or indirectly. The study is made to elucidate the impact of the latency of Cryptocurrency recognition in India. And, to make suggestions to prevent impact on the economy of the Nation.

INTRODUCTION:

Technology is a boon for this century. We are moving far away from the traditional concepts of transactions and investments. Instead of depositing in the banks and distributing paper currencies, people opt for digital money in India; Everything is digitalized in business aspects for easy day-to-day transactions. The government also took the initiative for cashless and cardless transactions to render assistance to the citizens.

The concept of Cryptocurrency and Bitcoins has been ruling this society since 2008. It is a digital coin of the country with a process of encryption to replace paper money. It is an asset or a coin that is kept in a digitalized form; it's very beneficial for the people as it has some value. Like the US dollar, these crypto coins have some value, which has been used by

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investors in trading online goods and services.

During the pandemic era, the Fintech sector has produced promising outcomes. The use and trading of cryptocurrency, including Bitcoin, Binance, Ripple, Dogecoin, and many other altcoins, has grown remarkably among the Indian populace, driven primarily by curiosity and popularity. As a result, many people have begun to invest a noticeable portion of their time and money in these virtual currency ventures.

Cryptocurrency is a digital or virtual form of currency secured by encryption, preventing counterfeiting. It operates solely on a platform known as blockchain technology, which ensures transaction transparency and security.

ELUCIDATION:

The concept of blockchain Technology was introduced by “Satoshi Nakamoto,” a pseudonymous creator who published the paper under the title “Bitcoin: A peer-to-peer electronic cash system.” This describes the principles of blockchain as a part of Bitcoin cryptocurrency.² In simple terms, a blockchain is a kind of digitized ledger that keeps the records of all transactions or digital events.

Cryptocurrency is a digital or virtual currency that uses cryptography as a form of security, and it is written by various computer instructions using encryption recognized by the Reserve Bank of India. It is not controlled by any financial institutions or governments; it is based on blockchain technology.

Bitcoin was the first cryptocurrency to serve as a payment system. It is a virtual currency and is not regulated by any government authority; some countries have even banned the use of Bitcoin. The bitcoins are secured using blockchain Technology, which ensures transparency, security, and immutability.

STATUS OF CRYPTOCURRENCY IN GLOBAL PERSPECTIVES:

- Australia, Japan, Singapore, and the United Arab Emirates ("UAE") are among the

² Introduction to BlockChain Technology, 2024, <https://www.geeksforgeeks.org/blockchain-technology-introduction/> Last Visited: 24 Mar 2025.

countries that use cryptocurrency.

- Australia has been among the most forward-thinking countries. In Australia, cryptocurrency and exchanges are both permitted and liable to capital gains tax.
- Japan changed its laws pertaining to "virtual currency exchange services" in 2020, making it mandatory for companies providing these services to register with the Japanese Financial Services Agency. Furthermore, the Central Bank of Japan, published a report titled "Technological Challenges in Having Central Bank Digital Currencies Function as Cash Equivalents," which acknowledged the potential use of central bank digital currencies as cash equivalents as well as the associated problems.

CRYPTOCURRENCY IN INDIA:

The Indian government has clearly stated its position on the issue and reaffirmed its decision to deny cryptocurrencies legal status within the territory of India. The primary driving force behind the government's decision is the inherent challenges of tracking decentralized cryptocurrency transactions, which have a conspicuous lack of traceability. Because of this feature, malicious actors like hackers, criminals, and even terrorists may find it advantageous.

The potential rise of the bitcoin market as a strong competitor in the banking services sector is one reasonable argument. Similar to the worldwide trend seen in other countries, the introduction and subsequent growth of cryptocurrencies, like Bitcoin, have attracted a lot of interest and adoption in India. Notably, since the demonetization campaign, the amount of Indian rupees being exchanged for cryptocurrencies has increased to previously unheard-of levels.

As a result, it is generally accepted that the aforementioned system's dependability and security are significantly lower in India. This has been used in an unscrupulous way by hackers and criminals. Depending on the length of the investment, a tax liability in the form of either long-term or short-term capital gains arises if an investor makes money from their cryptocurrency investments.

TIMELINE IN INDIA:

- 2013: In response to the growing popularity of cryptocurrency, the RBI issued a press release warning users, holders, and traders against investing in digital currencies of any

kind, including Bitcoin, citing the possible risk in the field of operational, legal, financial, economic, and security.

- 2017: As a result, a high-level Inter-Ministerial Committee was established in 2017 to draft a report on the problems associated with the use of digital currency. The Committee's report, which was delivered in 2019, called for a complete prohibition of all private cryptocurrencies in India.
- In 2018: RBI published a circular prohibiting banks and other commercial and financial organizations from using digital currencies. In addition, the circular instructed the organization to stop providing services to organizations that use these digital currencies. The Indian cryptocurrency institutions suffered a setback as a result of this action.
- In 2020, the recent case of *Internet and Mobile Association of India v. Reserve Bank of India*³, petitioner appealed the prohibition to the Hon'ble Supreme Court, arguing that the RBI's circular was unlawful. In March 2020, the Apex Court issued a ruling invalidating the RBI's cryptocurrency ban, arguing that it violated the Indian Constitution and did not pass the proportionality and rationality test.

Legality in India:

Based on a number of important remarks made by the governor of the Reserve Bank of India and other government representatives, including the finance minister, it can be concluded that cryptocurrencies are illegal. However, it is not specifically prohibited in India. Although it is unregulated, the Indian government has indicated in the Union Budget 2022 that cryptocurrency gains would be subject to a 30% tax and a 1% tax at the source.

The **Cryptocurrency and Regulation of Official Digital Currency Bill**, often referred to as the **Crypto Bill**, has been a topic of discussion in India for several years. Although the bill has not yet been passed, the Indian government has been working on creating a regulatory framework for cryptocurrencies

If passed, the bill could have significant implications for crypto investors, businesses, and exchanges in India. The ban on private cryptocurrencies, if implemented, would likely force individuals and companies to liquidate their holdings or face legal repercussions.

³ Writ Petition (Civil) No. 528 of 2018

IMPACT OF CRYPTOCURRENCY

Positive Impact:

- It is considered unnecessary to have middlemen present. Transactions are only carried out one-to-one, which makes it easier to create thorough audit trails.
- The aforementioned currencies can overcome the obstacle of social trust, therefore enabling a higher degree of accessibility. As a result, this increased accessibility may have a favorable effect on the development trajectory of underdeveloped countries.
- Unlike traditional payment methods like debit and credit cards, cryptocurrencies have the unique feature of having no processing fees.
- It is commonly noted that the credit or debit card processing time takes two to three days. It is a well-known truth in the world of cryptocurrency that the transaction clearance process usually takes around ten minutes.
- Individuals can efficiently manage or self-govern the digital financial market.
- Currency conversion between different monetary units is made easier in the world of cryptocurrency marketplaces by the ability to exchange currencies quickly and easily.
- Latin America has a wide range of cryptocurrency laws. While some nations, like Brazil and Mexico, have put laws in place to regulate cryptocurrency, others, like Bolivia, have outright banned it.
- Although cryptocurrency is not regarded as legal tender in countries such as the United Kingdom (UK), cryptocurrency exchanges are permitted. Additionally, capital gains tax applies to cryptocurrency gains and losses. The UK has taken a proactive stance on cryptocurrency; in July 2019, the Financial Conduct Authority of the United Kingdom published a guideline report on crypto assets that outlined which tokens are under its purview. In response, the U.K. Treasury published a consultation document in January 2021 to get input from interested parties on the government's cryptocurrency regulation strategy.

Negative Impact:

- Since the value of these digital assets can fluctuate significantly in a short period of time, marketers face a big issue due to the volatility of cryptocurrency values.
- Conducting productive and efficient trading activity in the cryptocurrency space is significantly hampered by this inherent instability.
- Adhering to customer identification rules and protecting against fraudulent activities is

made more difficult when user information is disclosed in a publicly available ledger, as is the situation with cryptocurrency. The aforementioned observation draws attention to the system's glaring lack of anonymity.

- Cryptocurrencies operate in the digital sphere, where ownership can only be verified by having private keys. As a result, malicious hacking attempts primarily target these private keys.
- The use of blockchain technology to this specific digital currency requires the participation of computing units located all over the world, which are entrusted with solving complex mathematical puzzles to verify and authenticate transactions.
- Because the transaction is being transmitted across several interconnected networks, there is a chance that data will be lost.
- In some cases, people might be the victims of fraudulent operations or illegal access carried out by people who are sometimes called scammers or hackers. There is a considerable chance of illegal transactions.

CONCLUSION:

Since AI and technology will play a major role in the future, acknowledging the growth of the Fintech industry there is an urgent need for appropriate regulations to deter criminal activity in India. To sum up, the development of cryptocurrencies in India offers both tremendous potential and formidable obstacles. By striking a balance between innovation and security, India can capitalize on the advantages of cryptocurrencies while reducing their hazards, opening the door to a more technologically sophisticated and inclusive financial system. India can capitalize on cryptocurrency's advantages while reducing its hazards by striking a balance between innovation and security, opening the door to a more technologically sophisticated and inclusive financial system.

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