Effect of digital currency on the Indian economy

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Abstract- In this paper, we discuss the introduction of digital currencies and what they may mean to India. It explains the existing situation of digital currencies in the world and in India, the pros and cons of adopting them and the possible policy interventions. The study will be conducted to present an overview of the research to notify the policy maker, economists as well as the stakeholders on the transformative effect of digital currencies in the economy of India. The phenomenal growth in possession of Smart phones and availability of easy-to-use payment systems such as PAYTM and BHIMUPI have enabled the adoption of digital methods in payments. The present paper attempts to discuss the prevailing trends in the digital currencies in India and Global.

Index-Terms: Digital currencies, Bitcoin, Crypto currencies, Indian Economy.

I. INTRODUCTION

When compared to other digital payment systems, EFT India is light years ahead. Virtual money has been around for a while. Common examples of electronic payment systems used nowadays include IMPS, Real Time Gross Settlement (RTGS), and National Electronic Fund Transfer (NEFT). You may reach them at any time, day or night, and they work. UPI (Unified Payments Service), a groundbreaking payment system that has been an example for other countries aiming to create a realistic, scalable, and real-time payment system, has recently played a major role in shaping the economic structure of the country. Offering customers the option to pay with actual currency is the ultimate goal of all digital payment systems.

Interest in digital currencies, particularly those like Bitcoin and Ethereum, has grown significantly on a global scale. Central Bank Digital Currencies (CBDCs) are another option that central banks are investigating. India is the economy with a large and technologically educated population that presents a special case to research the potential impact of using digital money. BitCoin is one of the most widespread examples of cryptocurrency that is occasionally gaining more and more popularity in India despite restrictions of use. The main challenge in the use of these cryptocurrencies is the

controversy of their safety. These digital currencies are not as secure as it should be. The second problem that most people face is the issue of the fluctuation of the currency, which no one is aware of as it is unknown.

Cryptocurrency is the electronic currency which is supposed to be quicker, cheaper, and more reliable than the government-sponsored money. Without the need for an intermediary, it allows users to transmit money directly, and everyone can afford the transactions. Bitcoin, which Satoshi Nakamoto established in 2009, was the first cryptocurrency. In a decentralized system that keeps track of transactions and manages the issuance of new units, cryptography is employed to stop fraudulent transactions. Because it doesn't depend on government-issued currency and allows transactions between individuals who are unaware of each other's true identities, this digital currency is special. Block chain technology is used to record the transactions, and the data is publicly accessible, saved on several computers, and almost hard to alter. It attracts the interest of researchers due to its ongoing nature, growing needs, and advancements. Due to its cheap transaction costs, the financial system is assisting sectors in expanding quickly.

Digital assets for the Ethereum Lite cryptocurrency the 2009 launch of Bitcoin remains a favourite among miners and speculators. It started the cryptocurrency "revolution," which produced a number of well-known cryptocurrencies including Tether, XRP, and others. Bitcoin and other cryptocurrencies were met with opposition from India for several reasons. One reason is that the government is worried about the possibility of money laundering and how it may be used to finance illicit activities. Bitcoin and cryptocurrency transactions are beyond the purview of the Reserve Bank of India (RBI). The argument that existing fiat currencies, like the Indian rupee, would suffer economic consequences due to a fall in demand due to the downsides of bitcoin adoption is another argument.

Cryptocurrency price volatility and the absence of government regulation of the market have also been points of contention. Cryptocurrencies are not recognized as legal money in India, as was communicated to the public in April 2018.

The Indian government outlawed bitcoin in 2019 with new laws that make it illegal to possess, sell, issue, transfer, or use the digital currency. Anyone found guilty of breaking the law can face a substantial fine or ten years in prison. However, the limitation was lifted in March 2020 by the Indian Supreme Court. In the Union Budget 2022–2023, the Indian finance ministry promised a 30% tax on cryptocurrencies and the development of the digital rupee, the country's own CBDC. On December 1, 2022, the country's first e-Rupee pilot program was announced by the Reserve Bank of India (RBI).

Cryptocurrencies Currency that only exists digitally and has no physical equivalent, such as coins or paper money, is known as digital currency. They may be electronically transmitted between parties and are often used for internet transactions. Globally, companies and consumers are adopting digital currencies at an accelerating rate. It is possible to broadly divide digital currencies into two groups: cryptocurrency and CBDC.

II. CENTRAL BANK DIGITAL CURRENCY (CBDC)

Central bank digital currencies (CBDCs) are electronic representations of traditional fiat currencies. In addition to facilitating cross-border payments, efficient cash management, and financial inclusion are a few potential benefits of using CBDCs. CBDDC may use blockchain technology, although it is not required.

III. CRYPTO CURRENCY

Crypto currencies are electronic or computerized currencies which employ to cryptographic algorithms to authenticate dealings and regulate the production of new currencies. The majority of the crypto currencies are constructed on the basis of block chain technology which is a distributed and decentralized registry that documents the transactions in a verifiable and permanent manner.

IV. THE RISE OF DIGITAL CURRENCIES

The rapidly increasing popularity of digital currency can be explained by several reasons, including the desire to reduce the expenses incurred in running the business with physical cash, financial inclusion, faster and faster payments, 24 x 7 accessibility, and increased efficiency of the settlement system and payment across the borders.

An important advantage of adopting digital currency is to increase financial inclusion. It eradicates social-economic barriers and solves the challenges related to connectivity and bodily banking infrastructure.

The CBDC in India, named the Digital Rupee (e[?]) is a reserve bank issued currency.

V. ROLE OF BLOCK CHAIN IN SHAPING THE FUTURE OF DIGITAL CURRENCIES

In the world, central banks generally imply implications of permission block chain networks that the participants are constrained and must be granted access to participate.
How Crypto currencies and other Financial Innovations are affecting Economies.
The crypto currencies represent a new payment infrastructure that contributes to the development of money.

VI. SWOT ANALYSIS

Positive Impacts

1. Enhancement of Financial Inclusion - Digital money can help to access financial services in underserved areas.
2. Small Businesses Empowerment - SMEs will have less problem accessing financial services.
3. Cost of the Reduction in Transactions Costs- Remittance and cash-handling is minimized.
4. Increased Productivity and Speed - Instant settlements have increased the speed with which the business is run.
5. Innovation and Economic Growth Invest on fintech and entrepreneurship.

Negative Impacts

1. Regulatory Uncertainties - Uncertainty in regulations slows down adoption.
2. Cyber security risks - Hackers and internet fraud.
3. Technological Barriers - The existing differences in access to digital technology marginalize some groups of people.
4. Financial Stability risks - Crypto volatility may disrupt markets.
5. Growing Economically by adopting Digital Currency.
6. CRs can help foster sustainable development alongside proper cybersecurity and positive policy frameworks.

VII.CONCLUSION

It is undeniable that digital currency can revolutionize the financial sector and break the current geographical roads.

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