Regulation of Cryptocurrency in India: Issues and Challenges

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Abstract

With the fast development of data and correspondence advances, numerous occasions in our way of life are consolidated on the web; they need to foster a lot of flexibility and reasonableness. With the appearance of Bitcoin in 2008, digital forms of money certainly stand out around the world. The ascent inside the area since the Covid 19 pandemic in 2020 is faltering. The "digital currency market" has adult up by immense pace of 500%. Nonetheless, in the 2018 Budget Speech, the money serve referenced that the govt doesn't ponder cryptographic forms of money being Fait monetary standards. Giving India has fallen behind in acceptive all stages before the Digital Revolution, semiconductors, the web and cell phones have laid out their place and need to be rethought and taken. These cryptographic forms of money address India's start into another piece of the advanced insurgency. The tremendous development inside the range of online clients has initiated virtual world ideas and made a substitution business improvement that is a digital money to work with the money exercises purchasing, mercantilism and exchanging. Digital currency addresses important and theoretical articles utilized electronically in numerous applications, and organizations revere interpersonal organizations, online social games, virtual universes, and shared networks. The utilization of virtual cash has become broad in numerous different frameworks lately. This paper examines the client's assumptions for the long haul of digital money. The paper investigates the clients' trust in managing digital currency. Furthermore, the paper is expected to quantify the pinnacle of digital currency use to have an unmistakable picture from a reasonable view. The paper furthermore examinations the effect of cryptographic money on a singular's position and gives a straightforward picture of its effect on different regulations in India

Keywords: Cryptocurrency, digital currency, NFT, digital rupee, electronic money, taxation

Introduction

With the outstanding development and remarkable advancement in India's innovation area, particularly with COVID 19, fintech area is consistently on the potential gain. As Indian individuals become more famous and mindful of digital currencies like Bitcoin, dogecoin and foam, many have contributed a large portion of their time and cash in these cryptographic forms of money to make the present universe of benefit. Non-Fungible tokens a.k.a NFTs which are monetary securities in form of digital assets which are stored in blockchain technology similar to Cryptocurrency and follow same format of ledger system are upcoming crypto market. The Reserve Bank of India comprehends cryptographic forms of money as a type of computerized/digital currency delivered by composed PC codes that rely upon steganography. This is scrambled and is thusly self-deciding of the main backer itself. It has advanced into a relational issuance and exchange framework utilizing private and public keys that give verification and encryption to get exchanges worked with by blockchain innovation. India is likewise seeing a huge flood in crypto trades as a lacking, unregulated market with more than $ 1 trillion in limits. Given the acknowledgment of the crypto market, its utilization inside such an extremely long time, and the possible loss of income from the Government of India, administrative organizations and specialists, the Reserve Bank of India ("RBI") gave a press note in 2013. Discharge, caution the overall population about exchanging cryptographic forms of money, including Bitcoin. In November 2017, the Government of India laid out an undeniable level between ecclesiastical council to provide details regarding different issues connected with the utilization of cryptographic forms of money, which hence distributed a report in July 2019. It suggested a complete restriction on Indian confidential cryptographic forms of money.

The council report is yet forthcoming; however, the RBI gave a notification toward the beginning of April 2018 expressing that all business and credit associations, little monetary banks, repayment banks and NBFCs will exchange digital forms of money are restricted served to all organizations that handle cryptocurrencies (RBI,2018). This disturbed the crypto business as trades required financial administrations to switch over completely to digital currencies and send and get the cash expected to pay rates, merchants, office space, and so forth. Be that as it may, the conditions encompassing digital currencies and their utilization changed totally on March 4, 2020, when the Supreme Court of India (Internet and Mobile Association of India V. Reserve Bank of India 2018) case chosen in a thoroughly examined running the show. The Hon'ble Supreme Court of India considered (Internet and Mobile Association of India V. Reserve Bank of India 2018) the issue fundamentally concerning Article 19 (1) (g) of the Constitution of India this lays out the opportunity to seek after any calling or txt, exchange or business, and proportionality and it was held that no boycott can be forced by RBI on exchanging digital forms of money.

World has modified into cash with fewer transactions with the aid of innovating and making digital currency transactions. One of the marvellous innovations in cash is cryptocurrency which is a digital currency, now not controlled by any authority or economic institution, a typical currency; simultaneously, there are some issues related to this new money. Hence, many international locations step returned from their implementation amongst those is India which is one of the nations that restrict the using and mining Bitcoins. However, as per the supreme court's directive now, buying and selling thru Bitcoin is now not any more banned in India. That is why it is integral to recognize Bitcoin trading in India, how it advanced in India, how it operates, and the players involved in these businesses. Authors has chosen a logical examination approach for this review. To fulfil the exploration goals, the scientist utilized optional information from different distributions by monetary sites, the public authority of India, diaries, papers, books and magazines and so on.

The secondary data necessary for completing the study will be collected from the published sources within the academic libraries, websites, books, online journals, e-magazines, etc. the objective of this research are as follows

1. To identify the concept of crypto-money and its functioning in systematic transaction.

2. To understand the authenticity and business of cryptocurrency in India.

Legal Aspects and Regulation

Cryptocurrencies have not been recognized as currencies by the RBI, and no specific laws or laws related to cryptocurrencies have been introduced in India till date. Due to the lack of a clear legal definition of cryptocurrencies, cryptocurrencies are currently regulated by various requirements of applicable law. Cryptocurrencies may fall under the definition of "computer program" under the Indian Copyright Act of 1957. This is a set of instructions expressed in other formats, including computer-readable media, including words, codes, schemas, or computers that completes a specific task or achieve particular results. In addition, cryptocurrencies can almost certainly be classified as intangible "goods" under the Sale of Goods Act of 1930. Foreign exchange tax, service tax relevance (if cryptocurrency mining is considered a service), and revenue from cryptocurrency sales.

However, cryptocurrency taxation is still in the grey area, and there is even more uncertainty about the cryptocurrency regulatory environment. From the point of view of currency control law, the purchase of cryptocurrencies by Indian residents can be regarded as importing software or computer programmes into India. This requires compliance with applicable exchange control laws, including RBI's policies regarding importing goods and services. Regarding substances manufactured in the intangible form in India. RBI also manages "payment systems" and "prepaid equipment" that require RBI pre-approval and compliance with relevant RBI regulations/instructions. However, cryptocurrencies may not be classified as payment systems as long as they are not recognized as a payment system that can settle payments between payers and beneficiaries and have insight into the constant fluctuations in the value of cryptocurrencies. However, the use and trading of cryptocurrencies protect the information / sensitive personal data. Each of the cryptocurrencies requires the use of cryptocurrencies to comply with the principles required under the protection of information. It can raise privacy concerns, such as knowing how to handle it. The Regulations for Compliance with Indian Law, especially the IT Act (2000), reads the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data and Information) Regulations of 2011. After a nationwide survey found that $ 3.5 billion worth of transactions in 17 months, the IRS sent tax returns to thousands of crypto traders. Therefore, before determining the status of the cryptocurrency, one need to check the following rules

- 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."

Prospects of Cryptocurrencies in India

The Union Government has recently discussed a ban on private cryptocurrencies in a new bill, "Cryptocurrency and Official Digital Currency Bill Regulations, 2021(*Cryptocurrency Bill 2021)* ". All private cryptocurrencies, including Bitcoin, will be banned in India if this bill is implemented. The Government of India talked about the development of cryptocurrencies under the bill. If India produces its systematic blockchain, India has many advantages. For example, transactions are more secure. Since India controls its cryptocurrency, there is no further change in the value of the cryptocurrency. India enforces its cryptocurrency legislation. This may include explicit legal provisions regarding the abuse of cryptocurrency mechanisms. Since cryptocurrencies are implemented via the blockchain, their verification methods are also transparent. However, India also faces some challenges related to cryptocurrencies, such as identifying illegal transactions. This information remains sensitive in other cryptocurrencies such as Bitcoin. Currently, the number of trades executed over cryptocurrencies is increasing. With its growing popularity in India, cryptocurrencies can bring many benefits to India with a better legal environment and regulations. Here are some use cases: Cryptocurrencies create an alternative business environment for Indian entrepreneurs. Indian engineers are allowed to develop new technologies that can create new jobs by paying customers. You will find tactics. The brokerage cost is low, and the transaction can be made relatively cheap.

Cryptocurrency and Reserve bank's Digital Rupee

Cryptocurrencies are currently regulated by various requirements of applicable law. Cryptocurrencies may fall under the definition of "computer program" under the Indian Copyright Act of 1957. This is a set of instructions expressed in other formats, including computer-readable media, including words, codes, schemas, or computers that completes a specific task or achieve particular results. In addition, cryptocurrencies can almost certainly be classified as intangible "goods" under the Sale of Goods Act of 1930. Foreign exchange tax, service tax relevance (if cryptocurrency mining is considered a service), and revenue from cryptocurrency sales. In the 2022 financial budget statement, through way of the 2022 Bill, the definition of the virtual asset has been introduced to regulatory concerning all cryptocurrencies and NFTs. The govt has retained the facility to classify or declassify any cryptocurrency and/or NFT from the manufacture internet of this definition. This saving provision is inserted doubtlessly to keep away from India's Digital Rupee or Central Based Digital Currency ("CBDC") (PricewaterhouseCoopers.2021), i.e., that is the projected new digital variety of exchange to be added via the Reserve Bank of India(The Economic Times,2022) ("RBI") being made a topic of tax/ regulation under the 2022 Bill.

Technical variance among crypto-money and Central Bank Digital Currencies

There is a fundamental distinction between a proposed CBDC and a non-public cryptographic money other than government backing. The CBDC will be upheld through permissioned blockchain innovation, rather than permissionless blockchain innovation that is generally utilized through different individual cryptographic forms of money like Bitcoin and Ethereum. The permissionless blockchain innovation is an open local area where any individual can contribute (make/mine cash) by including hubs to the blockchain. Along these lines, anybody can mine Bitcoin with full innovation support. Be that as it may, with the authorization of blockchain science and all the more explicitly CBDCs, just the focal government and other government-endorsed establishments have the ability to mine, direct the amount, and control the accessibility of blockchains. CBDC. In fact, intermediary blockchains have an entrance control layer incorporated into the hubs of the blockchain, which keeps unapproved clients from making/adding hubs. This science is shown to be extremely useful for banks, state run administrations and foundations in utilizing blockchain innovation, while for this situation the public authority of the advanced rupee of India can't actually entrance. In any case, digital forms of money may not be named installment frameworks for however long they are not perceived as an installment framework that can settle installments among payers and recipients and have understanding into the consistent variances in the worth of digital currencies. Nonetheless, the utilization and exchanging of digital forms of money safeguard the data/delicate individual information. Every one of the digital currencies requires the utilization of cryptographic forms of money to follow the standards expected under the assurance of data. It can raise protection concerns, like knowing how to deal with it. The Regulations for Compliance with Indian Law, particularly the Information Technology Act 2000.

Technical barriers to a bar on cryptocurrencies

The ongoing draft of the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 ("draft Bill"), in addition to other things, tries to boycott all confidential cryptographic forms of money in India. Nonetheless, it is appropriate to realize that the entire essence of the cryptographic money environment is that it has decentralized. The business can't be restricted/controlled from the source as no brought together element or authority is working the environment. What is frequently managed/prohibited is the utilization, holding, exchanges and so on which seems to have been looked for from the draft Bill? The govt favours restricting cryptographic money for the most part for four reasons viz. unpredictable change in costs, the gamble to purchasers with digital assaults and Ponzi plans, influence on power utilization (a review assessed that around 19 families in the USA are frequently fuelled for sooner or later with power utilized for one exchange of Bitcoin) and ultimately its possible use in crime, for example for disguise, psychological oppression, etc(Author, G. 2022). This may include explicit legal provisions regarding the abuse of cryptocurrency mechanisms. Since cryptocurrencies are implemented via the blockchain, their verification methods are also transparent. However, India also faces some challenges related to cryptocurrencies, such as identifying illegal transactions. This information remains sensitive in other cryptocurrencies such as Bitcoin. Currently, the number of trades executed over cryptocurrencies is increasing. With its growing popularity in India, cryptocurrencies can bring many benefits to India with a better legal environment and regulations. Here are some use cases: Cryptocurrencies create an alternative business environment for Indian entrepreneurs. Indian engineers are allowed to develop new technologies that can create new jobs by paying customers. You will find tactics. The brokerage cost is low, and the transaction can be made relatively cheap.

Decentralized environment

After being aware of the main technical barriers to prohibition of crypto, the Indian Government's intent to would require a fin-tec team, strategy building, restriction machineries, law up-gradation, etc. Technological obstructions exist due to a decentralized ecosystem, as begun below.

Broadly speaking, there are three ways one can transact in cryptocurrencies viz through:

1. **Centralized Exchange ("CEX"):** Trading with CEX requires sharing personal information, linking checking accounts, and complying with KYC standards to trade in cryptocurrencies. This is often one of the leading legitimate methods of trading cryptocurrencies. Users can use CEX to convert fiat currencies linked to their checking accounts to cryptocurrencies. The government is immediately fully aware of its cryptocurrency holdings and transactions through this method. Today, there are many domestic CEXs like CoinDCX and then WazirX. It is also possible to tax transactions solely for the transparency and compliance that Cass provides.
2. **Decentralized Exchange ("DEX"):** Many DEXs, such as Uniswap, MetaMask, Pancakes, etc., do not require or even need to

comply with KYC standards to create an account. You will disclose your identity / personal information yourself. One doesn't even need a checking account to start trading DEX. When creating an account, the platform will generate a separate digital wallet with a unified address (unique to each person) using the alphanumerical code for the recipient address to perform cryptocurrency transactions. The ID is DEX protected, and in most cases, even the platform is unaware of the user's ID. Cryptocurrencies typically trade cryptocurrencies on DEX by using/exchanging P2P, centralized exchange, or stable coins purchased directly from DEX.

3. **Peer-to-peer ("P2P") exchange**: A few on telegram, WhatsApp and other messaging apps have formed a crypto community that makes P2P transactions directly in cryptocurrencies using DEX with a simple online search. You can find the group. Traders can exchange their cryptocurrencies directly for cash, other cryptocurrencies, and other valuable assets. P2P exchange is just a network method for crypto traders to exchange their holdings of DEX.

Suppose non-public cryptocurrencies are banned. In this case, enforcing such a ban is a hurdle, as digital wallets built on DEX containing cryptocurrencies can't be easily tracked. DEX sites are often banned from inside the United States by means of DEX from an implementation standpoint, however possession and buying and selling of non-public cryptocurrencies in such digital wallets are also turning into illegal. Your smartphone and machine can also be confiscated as part of the investigation process. However, whether or not requiring the defendant to disclose his password / digital pockets tackle is self-incrimination is still a controversial prison issue. It will possibly enhance alternative case law first. Therefore, enforcement groups need to update their expertise bases and work with more moral professionals. At the identical time, they need to increase help software for investigation as a crime detection in this field.

In the most basic sense, cash, assets, and possessions derive fictitious fee from the geared up imaginary truth that defines our entire state-of-the-art being. As Yuval Noah Harari states in his e book Sapiens: A Short History of Mankind, the whole thing from society to human rights forms our organizational, structural and imaginary real-life neighbourhood. Cryptocurrencies are the same, however why those risky denominations be regarded infamous? Every fictional fact has its strengths and weaknesses. Cryptocurrencies additionally want to be traded with caution. There are precise motives for authorities' uncertainty about cryptocurrencies.

In most cases, you do not comprehend who controls the ecosystem / unique cash and how a great deal they manage them. Where is the server? Will Indian fiat currency be exchanged for cryptocurrencies for terrorist / illegal purposes? Trade is additionally massive, and one day, it is no longer the internal spirit of the authorities to return to its banned / non-banned decisions. In today's context, the innermost spirit is transparency. Fortunately, and unfortunately, this is of paramount significance to the crypto ecosystem. The thing of confidentiality itself is the supply of the ecosystem. It would be fascinating to verify the government's long-term mindset in the direction of private cryptocurrencies. Still, at the time of writing, cryptocurrencies are not banned in India

Is recognising all cryptocurrencies a legal prospective?

Cryptocurrencies are supported via decentralized blockchain technology and many cryptocurrencies are in circulation today. Cryptocurrencies are often mined, mined and issued with the help of someone. For the sake of discussion, all cryptocurrencies / coins, digital tokens, and non-fungible tokens are ("NFT") if cryptocurrencies are recognized / legalized / regulated, or, generally speaking, treated gently. Is recognized / legalized / regulated? If such a scenario suddenly arises, potentially 10,000 special bond offers will be available for trading within the market. Although some, but not all, good cryptocurrencies are recognized, most cryptocurrencies (including Bitcoin) support unauthorized blockchain technology, so anyone is willing to bid in prison. Create with. In other words, absolutely anyone can mine Bitcoin today. If this is recognized, all humans will be able to issue prison warnings from anywhere on the planet. This is often not a desire for practical or perhaps feasible consideration.

Is validation some prominent cryptocurrencies a prospect to consider?

A demand of recognising/legalising/regulating cryptocurrencies won't sustain. In 2021, El Salvador became the first country to recognise Bitcoin as a tender (James, B. (2018). In this situation, it can be argued that the government has enough creative legislative structure to remember some significant coins such as Bitcoin, Ethereum and Dogecoin. In addition, several assessable factors such as unpredictability, transaction capacity, market capitalization, and inventor identification make the legal recognition of the selected coin plausible. Legislators have made this proposal as major social media sites (YouTube, Twitter, Facebook) have already been tested and implemented in the 2021 Mediation Guidelines, which have earned the rank of "Important Social Media Mediators". You are empowered to promote it for your ruleset. However, recognizing some important coins may not be ideal, as the issue here is not the acknowledgment attribute but the underlying technology know how of the crypto ecosystem.

Given the above, isn't it an ethical question of whether to "permit" cryptocurrencies for trading (see "Technical Obstacles to Cryptocurrency Bans" below)? Or are they legally permitted? Some right questions and likely demands are hidden in tax trends, allowing advertising, allowing centralized crypto exchange, and recognizing the strength of the crackdown on the crypto ecosystem (if any). Against this background, this text deals with legal and practical ambiguities in understanding the complex crypto ecosystem.

The Union Government's attitude on cryptocurrencies displays a word of caution, as is clear from the proposed tax regime and, therefore, the administration of an equivalent. As per the Annual Budget Bill, 2022 ("2022 Bill"), consequent proposed amendments to the Income Tax Act 1961 ("IT Act") are made wherein, among other things, income arising from of virtual and digital assets (cryptocurrencies and NFTs) shall be taxed at the slab of 30% (Bill No. 18 of 2022).

Comparative analysis of Cryptocurrency globally

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 non tangible Assets)	Multiple form as no specific law defines it
Legal Status	Virtual currency: - allowed	Virtual currency: - Allowed with certain limitation	No Clear status
Legislation	One federal law and different law by different states	One common directive and member countries has different law as per directive	No legislation
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 Cryptocurrency

1. There's no need for a middleman. All the transactions are done on one at least one basis, and it also becomes easier to establish audit trials.
2. These currencies can overcome the matter of social trust and, by increasing their access, can extend the growth process in developing countries.
3. Unlike other traditional payment systems like debit and credit cards, cryptocurrencies haven't any processing charge since those transactions are facilitated through crypto currency's public network, Blockchain technology.
4. Credit or debit cards often take two or three days to process. With cryptocurrencies, transactions take 10 minutes to clear it. This shows that the speed of transactions just in case of cryptocurrencies is high.

Negative impacts of Cryptocurrency:

1. the worth of cryptocurrencies can change drastically over a brief period of your time which becomes trading with it slight difficult for the marketers.

2. While the small print of users of cryptocurrencies is held in a public ledger, there is often a problem when complying with customer identification or protection from fraud. This shows the shortage of anonymity within the system.

3. Cryptocurrencies operate digitally, and therefore, the proof of ownership is restricted to the private keys and thus becomes the prime target to hack since many business people are unaware of how to protect this new kind of digital currency.

4. Cryptocurrencies are considered to harm the earth. This digital currency uses blockchain technology which requires computers everywhere on the planet to unravel complex equations to verify transactions. This is often called data mining, which may be lucrative. The person involved in it earns a bitcoin as a gift. This procedure of calculations consumes a great deal of electricity.

Effects after the blanket ban on Cryptocurrency:

Banning cryptocurrencies will sound like banning the Internet. This temporary ban affected investors and honest businesses. This approach made it impossible for the investors to accumulate much economic profit. The blanket ban from 2018-to 2020 prohibited to use of all private cryptocurrencies in India. Some effects seen after the ban were: -

Brain-Drain: After the ban, those that lost the opportunity to trade India move to other countries where it is permitted for the exchange of transactions. Deprivation of Transformative Technology: this type of ban deprived India, its citizens of reworking the technology that is being adopted across the planet, just like the leading Companies like Amazon and Tesla

Contradictory Policies: A blanket ban made by RBI is opposed by the Ministry of Electronics and IT (MeitY) that declared the currency which is using the blockchain technology as transparent, safe and competent to use that will boost the Indian economy and convey economic profit.

Recommendations

It is time for India to shift from the expected payment systems and become one of the foremost active participants in the upcoming IT-based era. Banning such currency will demotivate start-up entrepreneurs, so it's not the ultimate solution. What important is that the proper regulation of certain KYC norms should be brought into practice. All that is needed to try to urge the policymaking right. This type of digital revolution will create new job opportunities across different levels, from IT developers to marketers who will reduce the speed of unemployment and ultimately it will help to revive the poverty line within the economy.

- **Guideline:** Guideline are needed to prevent serious difficulties, avoid misuse of cryptocurrencies and protect innocent investors from disproportionate market volatility and Potential fraud. Guidelines must be strong, transparent, consistent, and driven by a vision of development and what they are trying to accomplish. The current draft of the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 ("draft Bill"), among other things, seeks to ban all private cryptocurrencies in India. However, it is pertinent to know that the whole crux of the cryptocurrency ecosystem is that it has decentralized. Many exchanges are managed to remain alive through peer to peer and crypto to crypto trade without the intervention of a middleman

- **Definition of electronic money:** Legal and governing frameworks must define a cryptocurrency as a security or other monetary instrument under the relevant state law and define the management within their jurisdiction. Cryptocurrencies may fall under the definition of "computer program" under the Indian Copyright Act of 1957. This is a set of instructions expressed in other formats, including computer-readable media, including words, codes, schemas, or computers that completes a specific task or achieve particular results. In addition, cryptocurrencies can almost certainly be classified as intangible "goods" under the Sales of Goods Act of 1930. Foreign exchange tax, service tax relevance (if cryptocurrency mining is considered a service), and revenue from cryptocurrency sales. This crates a lot of ambiqity for both taxation and other legal purposes
- **Strong KYC Standards**: Instead of banning cryptocurrencies outright, governments should regulate crypto transactions by including strict KYC standards, reportage and taxation. We already have a KYC system for banking where there is a interlinking of Permanent Account Number with Aadhar with is registered with a mobile number and the bank account of holder also the mobile sim number is interlinked with Aadhar a similar interlinking can be used for crypto wallets.
- **Ensuring Transparency**: Recordkeeping, audits, independent audits, stake

holder complaints resolution, and alternate dispute resolution may also be well-thought-out to address transparency concerns, information accessibility and consumer protection.

- **Arousing the Wave of Entrepreneurs**: Cryptocurrencies and blockchain technology are sparking a wave of entrepreneurs in the Indian start-up ecosystem, ranging from blockchain developers to designers, project managers, and homeowners. Business analysts, developers and marketers. Create job opportunities at different levels up to

Conclusion

From this study, it's concluded that Cryptocurrency is catching the new technology wave. Its increasing importance is within the thanks to deal with the upcoming era of the digital revolution. Although there are a variety of risks involved with this digital currency, still billions of dollars invested in it thanks to its permanent transparency, traceability, low transaction cost, no processing fees and status profits. A blanket ban is something else, though if they ban the use of digital currency, it'll cause investors trouble. The current draft of the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 ("draft Bill"), among other things, seeks to ban all private cryptocurrencies in India. However, it is pertinent to know that the whole crux of the cryptocurrency ecosystem is that it has decentralized. Many exchanges are managed to remain alive through peer to peer and crypto to crypto trade without the intervention of a middleman. This may include explicit legal provisions regarding the abuse of cryptocurrency mechanisms. Since cryptocurrencies are implemented via the blockchain, their verification methods are also transparent. However, India also faces some challenges related to cryptocurrencies, such as identifying illegal transactions. This information remains sensitive in other cryptocurrencies such as Bitcoin. Currently, the number of trades executed over cryptocurrencies is increasing. With its growing popularity in India, cryptocurrencies can bring many benefits to India with a better legal environment and regulations. . Indian government should take necessary steps to manage such digital currency, which is the way forward for profitable business and productiveness of the economy.

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