

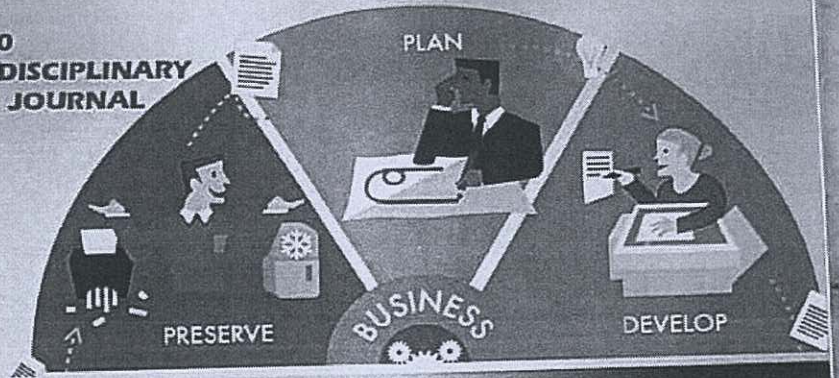
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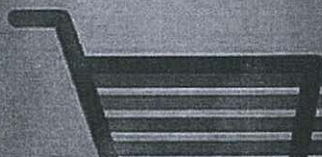


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## 16. An Overview of Cryptocurrency in India

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### Abstract

"As a result of the rapid rise of information and communication technology, many activities in our daily lives have been merged online, making them more flexible and effective." The tremendous increase in online users has reactivated virtual word conceptions and generated a new commercial phenomenon known as cryptocurrencies, which is utilised to speed up financial activities including buying, selling, and trading. Virtual currency has become widely used in a variety of systems in recent years. Most governments have declined to employ virtual money in their economic activities since it is not properly controlled and managed. The current legality of cryptocurrency, as well as the impact of potential government acts on digital currencies, are discussed in this article. The paper also looks at the hazards of investing in Bitcoin and Gold, as well as how countries have responded to crypto currencies in terms of regulations and legislation, in order to get a full picture of their impact on various laws in India.

**Key words** - Cryptocurrency, Government future move on Cryptocurrency, Uses of Cryptocurrency, Gold, RBI.

### 1. Introduction

Today's economies are all money economies since all economies have adopted specific currencies (money) as a medium of exchange. Because excess supply and contraction of the money supply induce inflation and deflation in economies, governments manage the currencies of individual countries to combat inflation and deflation. Many countries are increasingly focusing on digital currencies and transactions all over the world. Even some people oppose government regulation of their money and interactions. As a result, greater innovation in a new currency, crypto currency, which is one of the most advanced, confusing, and unregulated currencies, has occurred. I endeavoured to investigate crypto money in India, as well as its development and transactions, in this study. Bitcoin is a sort of electronic money. It is a decentralised digital money that may be sent directly from one user to another on the peer-to-peer Bitcoin network. It has no central bank or single administrator. Cryptography is used by





network nodes to validate transactions, which are then stored in a block chain, which is a public distributed ledger. Bitcoin was founded in 2008 by an unknown person or group of people using the alias Satoshi Nakamoto, and it went live in 2009 after its source code was made public. The mining process results in the creation of bitcoins. They can be traded for a number of other currencies, goods, and services.

## 2. Statement of the Problem

The world is moving away from cash-based transactions thanks to innovation and the usage of digital money. Crypto currency, which is digital money that is not overseen by any authority or central bank and is a worldwide currency, is one of the most significant advances in money. However, there are several concerns with this new currency that have forced many governments to delay their adoption. India is one of the countries that has outlawed Bitcoin mining and use. However, according to a Supreme Court ruling, Bitcoin trading is no longer prohibited in India. That is why it is crucial to comprehend Bitcoin trading in India, including how it operates, how it has evolved in India, and the parties involved in transactions.

## 3. Objectives of the Study

1. To understand the concept of Bitcoin and it's functioning in regular trading.
2. To know legality and trading of Bitcoin in India.
3. To compare investment risk in between Bitcoin and gold.

## 4. Research Methodology

The present research is a Descriptive Research.

## 5. Sources of Data Collection

- a. The present source for this paper is the secondary data which was maily collected through web sites, books, journals, magazines, etc.
- b. **Period of the Study** - The study period covers Bitcoin monthly value from march-2018 to Jan 2021 and gold monthly value from March-2018 to Jan 2021.

## 6. Bitcoin Meaning and How it Working

### Cryptocurrency

Cryptocurrencies are a decentralised kind of currency that are not regulated by any authorities. They're made with cryptography, which makes them much more safe because double spending is prevented. Furthermore, because there are no intermediaries, they can be sent directly to the recipient's digital wallet.



### **How do people get Bitcoins?**

There are three main ways people get Bitcoins.

- You can buy Bitcoins using 'real' money.
- You can sell things and let people pay you with Bitcoins.
- Or they can be created using a computer.

### **Why are Bitcoins valuable?**

Gold and diamonds are two examples of non-monetary items that humans deem valuable. Cocoa beans were utilised as currency by the Aztecs. People are willing to trade bitcoins for real goods and services, as well as cash, making them valuable.

### **History of Bitcoin in India**

On November 8, 2016, Prime Minister of India Narendra Modi stunned the country by demonetizing the Rs. 500 and Rs. 1000 currency notes, igniting a renewed interest in digital currency and other cashless mechanisms such as online banking, digital wallets, and credit cards. Demonetized notes accounted for 86 percent of the cash in circulation in India. India is a country where cash is used in 87 percent of transactions. The chaos was unavoidable. This resulted in weeks of long lines at ATMs and banks. The banks did not have enough cash to disburse. Before December 30, anyone with cash could deposit it in bank accounts or swap it for new Rs. 500 and Rs. 2000 notes. Banks were keeping a watchful eye on suspicious deposits, so anyone storing "black money" (unaccounted cash) couldn't put money into their accounts. What are these people's options? Allow them to give up all of their assets? Some of them, in fact, did just that. In the river, old notes were discovered floating. Others, on the other hand, turned to commodities to hedge against the chance of an economic downturn; some bought gold, while others bought silver. What did the government do to put a stop to it? They began robbing gold jewellery stores. When gold became unusable, people began to buy silver, resulting in a large surge in silver demand. With government targeting gold and silver, these people regarded Bitcoin as a safe refuge. They began buying Bitcoins with cash using their contacts and paying up to a 30% premium. The price of Bitcoin began to rise, and the weekly volume of Bitcoin trading nearly doubled. Not to mention, India is one of the largest remittance markets in the world, with over \$70 billion in remittances. A user might expect to spend up to 15% in bank costs and conversion fees. This is where Bitcoin's genuine value can be found. It will be helpful to understand the importance of gold in Indian society in order to comprehend how Bitcoin might progress in



India. The property, money, and education of an American spouse are usually their most important assets. The possession of gold by an Indian couple touches on all of these issues. It's acceptable to compare Bitcoin to gold because they're both liquid assets. As a result, Bitcoin sits in between fiat currency and gold, with the exception that it lacks gold's cultural significance.

### **How to Buy and Sell Bitcoin in India**

Increased government regulations are mostly to blame for the declining trend in bitcoin trading in India. This does not, however, prevent people from dealing. Many Indians trade using two methods: 1) exchanges and 2) peer-to-peer (P2P) methods. Both of these procedures adhere to KYC guidelines and typically require documents such as a Pan Card, Aadhaar card, or passport.

### **Top Bitcoin Exchanges in India**

Popular exchanges like Zeb Pay have had to shut down since banking institutions in India have banned crypto currency trading. Nonetheless, in India, the following top exchanges are still in use:

#### **Unocoin**

Unocoin is India's leading Bitcoin exchange, having been created in 2013. It is backed by US funding and is a regulated corporation that charges low 1 percent fees that drop to 0.7 percent when trading volumes increase. It's a simple exchange platform that lets customers buy cryptocurrency with any Indian bank account. However, with the proposed ban in place, things may become more difficult for Unocoin.

#### **WazirX**

WazirX was created in 2018 and is one of India's most reputable exchange platforms. It focuses on exchange-escrowed peer-to-peer (P2P) services to allow clients to keep withdrawing INR. WazirX adheres to KYC guidelines, offers a mobile app for both Android and iOS users, and promises to be able to process hundreds of transactions each second.



The following table showing trends of Bitcoin value in respect of Indian rupee

Gold value (10 grams)			Bitcoin value		
Date	Price	Change %	Date	Price	Change %
Jan 2021	34,692.79	-1.71%	Jan-21	26,37,105	24.64%
Dec 2020	35,914.04	6.41%	Dec-20	21,15,850	45.18%
Nov 2020	31,716.05	-5.63%	Nov-20	14,57,389	41.63%
Oct 2020	35,615.24	-0.81%	Oct-20	10,28,993	29.89%
Sep 2020	36,198.87	-4.22%	Sep-20	7,92,221	-7.18%
Aug 2020	39,461.82	-0.46%	Aug-20	8,53,531	0.62%
Jul 2020	39,824.19	9.20%	Jul-20	8,48,261	22.87%
Jun 2020	33,397.56	3.23%	Jun-20	6,90,369	-3.49%
May 2020	31,339.62	3.75%	May-20	7,15,323	10.30%
Apr 2020	29,114.60	6.74%	Apr-20	6,48,529	34.20%
Mar 2020	25,555.22	0.73%	Mar-20	4,83,270	-21.91%
Feb 2020	25,185.69	-1.68%	Feb-20	6,18,838	-7.53%
Jan 2020	26,053.19	3.79%	Jan-20	6,69,214	30.35%
Dec 2019	24,186.47	3.62%	Dec-19	5,13,407	-5.16%
Nov 2019	22,524.01	-3.03%	Nov-19	5,41,312	-16.60%
Oct 2019	23,953.75	2.77%	Oct-19	6,49,510	10.86%
Sep 2019	22,680.36	-3.49%	Sep-19	5,85,865	-14.52%
Aug 2019	24,348.48	6.15%	Aug-19	6,85,360	-1.32%
Jul 2019	21,609.00	1.36%	Jul-19	6,94,522	-6.68%
Jun 2019	21,033.70	7.14%	Jun-19	7,44,275	25.36%
May 2019	18,322.33	0.98%	May-19	5,93,713	52.46%
Apr 2019	17,966.72	-0.74%	Apr-19	3,89,434	34.57%
Mar 2019	18,235.80	-1.81%	Mar-19	2,89,395	4.89%
Feb 2019	18,914.50	-0.63%	Feb-19	2,75,899	10.61%
Jan 2019	19,154.56	2.74%	Jan-19	2,49,431	-6.63%
Dec 2018	18,146.78	4.21%	Dec-18	2,67,136	-5.19%
Nov 2018	16,710.73	0.35%	Nov-18	2,81,748	-40.28%
Oct 2018	16,594.59	1.54%	Oct-18	4,71,799	-1.70%
Sep 2018	16,096.00	-0.70%	Sep-18	4,79,973	-3.62%
Aug 2018	16,325.17	-2.45%	Aug-18	4,97,978	-6.15%
Jul 2018	17,155.76	-2.52%	Jul-18	5,30,589	21.29%
Jun 2018	18,055.30	-3.68%	Jun-18	4,37,470	-13.36%
May 2018	19,460.25	-1.70%	May-18	5,04,930	-17.63%
Apr 2018	20,138.45	-0.48%	Apr-18	6,13,004	36.06%
Mar 2018	20,334.76	0.48%	Mar-18	4,50,550	-33.03%
Mean	24457.61			694462.66	
Std deviation	7321.635818			484932.45	
Co-Variance	0.299360233			0.6982844	
Correlation coefficient				0.640122673	

(Source: investing india.com)

## 7. Observations of the Study

- A. The Supreme Court of India issued a ruling in March 2020, overturning the RBI's restriction on cryptocurrency trading. Trading in crypto currencies is now permitted in India.
- B. The government is considering creating a state-backed digital currency issued by the Reserve Bank of India in 2021, while prohibiting private digital currencies such as Bitcoin. As a result, bitcoin trading is risky.



- C. The change in gold's value was too low in November 2020, at -5.63 percent, while it was too high in July 2020, at 9.20 percent.
- D. The change in gold's value was too low in November 2020, at -5.63 percent, while it was too high in July 2020, at 9.20 percent.
- E. Gold's price volatility is quite low from March 2018 through January 2021. (means changes in value of gold is consistent).
- F. Bitcoin's value has been quite volatile from March 2018 to January 2021. (means changes in value of gold is inconsistent).
- G. When comparing the value of bitcoin and gold, the researcher discovered that there has been a considerable change in their valuations, implying that gold is a better investment than Bitcoin.

### 8. Conclusion

The origins of bitcoin may be traced back to Satoshi Nakamoto's white paper, which proposed "a system for electronic transactions" based on a peer-to-peer network, in which transactions would be validated and recorded by network nodes, or computing systems, making transactions decentralised. Soon after, Satoshi Nakamoto created the first cryptocurrency, Bitcoin, in 2009. The Inter-Ministerial Committee, which was established on November 2, 2017, to recommend specific action on crypto currencies, has prepared a draught bill titled "Banning of Cryptocurrency and Regulation of Official Digital Currency Bill, 2019 (Draft Bill)." The Draft Bill is still being considered and will not be introduced in Parliament. The draught bill gives "cryptocurrency" a broad definition, thereby prohibiting the usage and trading of all types of digital assets, not just digital currencies. If the law is passed by parliament, it will affect digital currency investors. To have a well-diversified portfolio, you don't need to invest in bitcoin. If you want to gamble on bitcoin, do it with a small, single-digit percentage of your assets. There isn't enough evidence to imply that one will outperform the other. However, investing in gold is preferable than bitcoin since it provides a more steady return.

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