

## Cryptocurrency: An Alternative Currency or a Specious Bubble

The Supreme Court of India in March 2020, rescind the blanket ban on banks from trading in crypto transactions on grounds of no justified reasons for imposing such a ban. The word gave breathing space to the crypto exchanges that were grappling to open a bank account due to a lack of transparency from the Central Bank of India. With the aforementioned statement from the Supreme Court, the cryptocurrency spark was rekindled among Indian youth and an exponential growth has been witnessed since then. Despite, the legal vagueness of cryptocurrency investment and high volatility in prices, India has the highest number of crypto owners in the world at 10.07 crore. The U.S. stands out at second position with 2.74 crore crypto owners, followed by Russia at 1.74 crores and Nigeria at 1.30 crores. In terms of the number of crypto owners as a percentage of the total population, India ranks fifth at 7.30 per cent whereas Ukraine ranks first with 12.7 per cent people of the total population having crypto account followed by Russia at 11.91 per cent, Kenya at 8.52 per cent and the US at 8.31 per cent.

In 2021, there are over 4000 crypto currencies in circulation and in the last 6 months, the prices of crypto currencies have skyrocketed. The price of Bitcoin is hiked nearly by 16 per cent after being up by 122 per cent at one point of time. Undoubtedly, crypto currencies are gaining popularity across the globe but are also facing an existential crisis. China's gunfire and Elon Musk's tweet against cryptocurrency have driven a ferocious sell-off in Bitcoin and other crypto markets which resulted in wiping out dollar 1 trillion of crypto market capitalisation. The Central Banks around the globe are reluctant to surrender their hold over their respective currencies and are generally wary to approve digital currency within their jurisdiction as they consider it as no real investment having high volatility and instability. Massachusetts Institute of Technology and the Boston fed are conducting researches to find out what a central bank currency would look like and what technology to be used for it. China is way ahead and has evolved a digital version of yuan with plans to step up its usage before the winter Olympics, 2022. However, the grave concern is the quality of information about crypto markets. It is quite poor and even basic data like exact trading volume are sometimes hard to estimate. The drivers of crypto asset valuation are poorly designed and untested. According to the recovery analysts, there are 1.85 crore Bitcoins in the world, of which 20 per cent have been lost by their owners. Investors end up losing their wealth if they forget their Bitcoin password and there is no possibility of its recovery. Other than regulatory risk, the risk for its use as Ransomware is increasing. A report by the Ransomware task force states that approx. 2400 schools, health care institutions and US-based government entities were the victims of Ransomware in 2020, resulting in a loss of dollar 350 million which is 311 per cent up from the previous year. Not to forget the recent case of the colonial pipeline where the hackers were paid a \$ 4.4 million ransom to restore the east coast supply. It is highly recommended that the cryptocurrency sector should be more closely regulated. To comply with the existing laws there should be cryptocurrency exchanges, over-the-counter, trading desk and crypto kiosks along with fulfilling the procedures like knowing your customer etc.

The government in India is working to bring up the bill to regulate cryptocurrency soon. An inter-ministerial panel headed by former finance secretary Subhash Chandra Garg has submitted a report seeking a ban on cryptocurrencies and authorising a digital currency of the Reserve Bank of India. The Cryptocurrency and Regulation of Official Digital Currency

Bill, 2021, was to be introduced in Parliament's Budget session but was held up as the government continues discussions with stakeholders.

Experts think that India cannot be a straggler when the world is swiftly advancing with blockchain technology. This has led to the assumptions that crypto as an asset class might be recognised in India but the government will not accept it as legal tender as yet.

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