



# A Study of Financial Regulation & bitcoin market in India

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**Abstract** - *'A Study of Financial Regulation & bitcoin market in India' focus on the benefits of the virtual currency from the point of view of the investors. The author attempts to highlight the importance of financial regulation in the country. As the bitcoin is increasing the importance in the market the Reserve Bank of India & Government of India needs to think from the point of view of large number of investors.*

*The author highlights the opinions of various experts many of them are in favor of regulation of the bitcoin. There are various types of risks associated with the bitcoin like any other currency. However if the approach of the country will get converted into the positive it will be beneficial.*

**Keywords** - *Bitcoin, Financial Regulation*

## **Introduction**

Since Over's & over years ago the US \$ is occupying the importance as major currency. Even though many countries are developed the US \$ is playing the dominant role in the foreign exchange market. In the period of 1980 the Euro was trying to challenge the dollar. However it is not able to compete with them because of its overvaluation.

Need to analyze the status of 'Virtual Currency'-All over the globe the virtual currencies are playing important role. The virtual currencies are utilizing by the whole world for the purpose of financial transaction. Virtual currencies are growing due to the technology & there is rising of potential in benefits. Some of the virtual currencies can be converted into real money & some cannot. Virtual currencies can be grow with the technology & applications. Bitcoin can be considered as commodity as well as currency.

In the year 2009 bitcoin was created & it has

went through high & low. It is one of the famous currency in the world. SATOSHI NAKAMOTO created the bitcoin. Before virtual currency the US currency was based on the gold. Bitcoin is not based on silver and gold it is based on mathematical proofs. Currencies are known for its stability.

### Benefits of the bitcoin

- Quick payment-Bitcoin is the faster & quick settlement of transaction. In this the transaction will get settled within few minutes.
- Low processing fees-The transaction & procedure fees are low
- The bitcoin is decentralized authority or government has no right to take away the bitcoin.
- This virtual currency provides the protection against inflation. Scarcity of the currency protects the currency against inflation.

### Objectives of the Research paper

- To study in detail importance of bitcoin.
- To study the importance of regulation of bitcoin in India.

Virtual currencies are becoming the important currency. Many big companies are accepting the payments in term of bitcoin (DELL, Microsoft). India is a country which facing currently challenges like taxation, anti money laundering, consumer protection & fraud management. In the year 2014, 850000 bitcoin of Mt.Gox of Japan's got hacked by the hackers. It forced regulators to act on the same. Later it is identified that 200000bitcoins already missing. It was the incident which created financial panic among the investors.

In the economic note of How should bitcoin be regulated this fact get highlighted. This article creates focus on Bitcoin legal status. It is said



that the status of the same needs to get clarified.

### **Risks Associated with the Bitcoin**

- As bitcoin is a digital currency the risk associated with the same is hacking attacks .
- Bitcoin is not backed by any central agency up to now so it is less reliable.
- There is transactional & informative risk from the point of view of investors.

### **Review of Literature-**

(A.Seetharaman, 2017) mentioned that the whole world is talking about ‘internet of things’. Paper currencies are becoming the past & the virtual currencies are takeover .Rise in virtual currency is increasing the competition for the US \$.Regulation of bitcoin is becoming a debatable issue. The focus of the study is depends on many factors which may causes to replace the world’s strongest currency i.e. US\$. This study is trying to design the future of global finance with the crypto currency.

(Paech, 2017) states that a virtual currency bitcoin is a internet way to recording the entitlements & enforcing the rights which is capturing the interest of business & governments .This technology is commonly known as blockchain which is associated with the smart contract. This article is depends on the blockchain based network in the financial market.It is based on the vision that how these market can be regulated to protect the market participants.

(Ishikawa, 2017) After the bankruptcy of MtGox bitcoin exchange Japan firstly address the regulation of virtual currencies. However there are several problems with the virtual currencies which remain unsolved & debatable .This Mt Gox bit coin exchange in 2014 revealed that hundreds of thousands bitcoins missing. There is need of protecting the users.The use of bitcoin reached to that level where the other regulators cannot ignore the same However this case did not affect much on the national economy of Japan.

(Abboushi, 2017) suggests that virtual currencies are important from the point of view of financial transactions. Bitcoin is the most demanding virtual currency all over the world.

Some virtual currencies can convert into the money & some can not be convert into the cash.

(Marcin Andrychowicz)mentioned people uses bitcoin as a digital currency. Internet is allows people for the attracting feature like digitalization. There is always need trusted server which helps to file online financial transactions .Bitcoin transaction totally changed the way of the same.

### **Importance of Bitcoin regulation**

➤ **Surging Popularity-** (times, 2017) mentioned in article though there is continue warning from the side of RBI. The Bitcoins continually attracted the investors. Everyday more than 2500 people added the same & it has reached upto the level of 500000 downloads. Accepting bitcoin is one of the most popular emerging asset class among the Indian individual.

➤ **Actual benefit to the investors-**According to the RBI virtual currencies are created more risk on the investors. However the investors gets attracted towards the virtual currencies as their returns are high. The RBI views about the Bitcoin is negative .However considering the concrete benefits of the investors there is need of regulation in this virtual currency (Arnfield, 2015)

According to the **Krishna Jhala**, who is associated with the Indian law form there is always scope that virtual currency can be legalized in India. In 2014 **Raghuram Rajan** who was the Governor of RBI mentioned that the India is moving towards the cashless society. Acceptance of the virtual currency can be benefitted for the same.

➤ **Volatility in the market-**As bitcoin is the virtual currency & it is not backed by any asset .The value of the currency depends on the economic factor like demand & supply of the currency .It leads the market of the virtual currency towards volatility.

In the long term it might help the central banks to put monetary policies effectively up to certain limits as the bank is having data about how much bitcoin generated & how many are under the circulation.



- **Taxation purpose-**The generated income is not taxable under the Income tax Act of India. However

If the virtual currencies will get regularized there will be proper system of taxation on income earned. As there are many investors who are earning more & more on the bitcoin. If it is get regularized it will be one of the major source of Government revenue.

- **Protection to investor-** As the number of investors is increasing under the same. There is tremendous risk associated with the same. There is need of technology knowledge. A lack of awareness can lead towards the big frauds & scams. It is necessary to protect the common investors from the point of view of economic stability. It is in the hands of central bank of the country that they can regularized the virtual currencies like Bitcoin & spread the awareness among the individual investors.

There is need of forum where the investors can solve their grievance which can save the investors from the transactional & informative risks.

### **Conclusion-**

Silence from the Central Bank of India on regulation of the Bitcoin can be harmful from the point of view of Indian investors. The bitcoin

& other virtual currencies already spread their industry in the India. This currencies accepted by the most part of the world for the transaction purpose. Instead of banning the bitcoin in India. There is need to think again about the regulation of the same. Sooner the better will be the beneficial from the investors.

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