

Types, Uses And Regulations Of Cryptocurrency: A study

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Abstract : Cryptocurrency is a virtual form of currency which is used as a medium to exchange. Cryptocurrency is not accepted in all the countries. The rules and regulations of using it varies from country to country. Few countries even consider it illegal. Cryptocurrency are not only used for transaction but they can also be used as an investment. Since it is done through the internet there is a high risk. This research paper would give a brief knowledge of what is Cryptocurrency, its uses and its Types. It also clearly states the legal aspects of Cryptocurrency India.

Keywords: Cryptocurrency, Investment, Bitcoin

1. Introduction

Cryptocurrency is designed as a digital or virtual currency that acts as a medium of exchange. Cryptocurrency not only acts as a medium of exchange but also helps investors to invest. To uses this the investor has to have few requirements that should be fulfill not all can use these coins. Use of this currency is secured by cryptography and it also authenticates the transactions that is being done. It is difficult for forgery because of its security features. Risk is reduced because of this. Not all countries entertain this mode of transaction. There are no transaction cost for bit coins. There is no storing the units of cryptocurrency instead it's the private key that is used to sign for transactions. Investopedia has defined cryptocurrency as "A digital or virtual currency that uses cryptography for security. A cryptocurrency is difficult to counterfeit because of this security feature.

2. Objectives

1. To understand penetration of the concept Cryptocurrency
2. To Bring out the Uses and Types of Cryptocurrency
3. To analysis the regulations pertaining cryptocurrency in India and other countries

3. Review of Literature

Caleb Chen London Trust Media has indicated that "In the next few years, we are going to see national governments take large steps towards instituting a cashless society where people transact using centralized digital currencies. Simultaneously, the decentralized cryptocurrencies – that some even view as harder money – will see increased use from all sectors."

Thomas Carper, US-Senator has quoted “Virtual currencies, perhaps most notably Bitcoin, have captured the imagination of some, struck fear among others, and confused the heck out of the rest of us.”

4. Emerging concept of Cryptocurrency

With the emergence of computers and internet throughout the world trades wanted to expand their business throughout the world and have transactions. Globalization came in hand with this concept. When business was made throughout the world transactions faced a lot of paper work and through the internet it was made easy. In the 90's attempts were made in creating digital currencies with the help of systems like Flooz, Beenz and DigiCash emerging on the market. These concepts couldn't withstand since due to the various reasons as fraud, financial problems and personal disputes among the companies. The core reason of this problem was because of the third party in transaction of money, when the third party went bankrupt the transactions was not possible and this is one of the main reasons for the failure. First cryptocurrency to attract the public was Bitcoin. Which was launched by an anonymous programmer or a group of programmers in 2009 under Pseudonym Satoshi Nakamoto. This time Satoshi stated that the transactions was made only peer to peer and the process became more decentralized where there is no involvement of intermediary, third party, servers and no central controlling authorities involved. This concept gained back the lost trust from the investors. According to the statistics the cryptocurrencies as on 10 April 2018 is over 1565 and growing.

5. Types of Cryptocurrency

Cryptocurrency are of different types. Since they can be formed by anyone and there is not controlling unit that holds this. Bitcoin is the most popular Cryptocurrency. George Shnurenko in his blog has categorized cryptocurrency into three divisions 1) Bitcoin is considered as Traditional cryptocurrencies and it is used as a unit of exchange. 2) Utility cryptocurrencies allows developers to generate ‘Smart Contracts’. 3) Tokens are app or platform cryptocurrencies for purchases or getting some certain rewards. Prableen Bajpai in his article on Investopedia has listed six most important cryptocurrencies other than Bitcoin they are Litecoin (LTC), Ethereum (ETH), Zcash (ZEC), Dash (DASH), Ripple (XRP), Monero (XMR). Litecoin In the year 2011 Charlie Lee, an MIT graduate and former Google engineer. It has a faster block generation rate and offers a faster transaction confirmation. Ethereum (ETH) started in 2015 it is a software platform that enables Smart Contracts and Distributed Applications. Zcash (ZEC) was launched in late 2016 it is decentralized and open-source, it offers privacy and selective transparency of transactions it also gives its users the choice of ‘shielded’ transactions. Dash (DASH) was created by Evan Duffield in January 2014. It was known as the Darkcoin works more secretive than Bitcoin the autonomous decentralized mastercode network makes transactions nearly untraceably. Darkcoin was rename to Dash in March 2015. Ripple (XRP) started in

2012 “enables banks to settle cross-border payments in real time, with end-to-end transparency, and at lower costs.” it doesn’t need mining this is the concept that differentiate bitcon and altcoin, which reduces the usage of computing power. Monero (XMR) was launched in 2014 April with a strong emphasis on decentralization and scalability, and permits complete privacy by using a special technique called ‘ring signatures. It is donation-based and community-driven.

6. Uses of Cryptocurrency

Cryptocurrencies are used to Buy Goods. A lot of traders now accept Bitcon payments. They are now used to pay flights, computer parts, Apps, jewelry and even college degrees. Apple has authorized 10 different Cryptocurrencies for payment of their apps. Gift cards and also selling in websites in form of Cryptocurrencies. Marketplaces such as Bitify and OpenBazaar accept only cryptocurrencies. The next main use of cryptocurrencies is Investment. Cryptocurrency is a very good investment as the rates increase at a huge rate yielding huge sum of profit. The value of Cryptocurrency changes frequently and they are at high risk rate since their market value changes very fast unlike any other assets. Ethereum is stated as the fast raising digital currency. It’s easy to buy a Bitcoin compared to the other cryptocurrencies. It should be stored and is best to store it in an offline wallet on a hard drive. Miners are important in cryptocurrency network, mining is an investment. These miners solve complicated cryptographic puzzles which are necessary for confirmation of a transaction and record it in Blockchain. Difficulty of the puzzles keeps increasing, relating with the number of people trying to solve it. If a particular cryptocurrency becomes popular it means more people try to mine it and the process becomes more difficult. If a miner manages to solve the puzzle, they receive a reward as well as a transaction fee. Cryptocurrencies are also accepted as payments for business transactions. The interest in cryptocurrencies keeps increasing. Payments can be done through e-wallets and through apps. In the US, Bitcoin and other cryptocurrencies is treated as form of payment same as accepting cash, gold or gift cards.

7. Different Countries and Cryptocurrencies

In the US, the Internal Revenue Service ruled that Bitcoins and other digital currencies are to be taxed as property, not currency. According to Upamanyu Acharya in the blog 5 Best Countries for Bitcoin and Cryptocurrency Investors has listed five countries that entertain and are open for cryptocurrency. According to the Belarusian government, cryptocurrencies are tax exempt till 2023 to improve its special economic zone, HTP Belarus, to compete with Silicon Valley. The Portugese government has clarified that sale of cryptocurrencies doesn’t fall under capital income or capital gains. If individuals carry out professional or business activity related to cryptocurrencies then it is liable for taxation. Hong Kong is a place for investors. They have zero VAT or capital gains tax, making tax regulation surrounding cryptoassets are simpler. It’s also known as the Asia hub for blockchain and crypto companies. Netherlands is the first country in this list

that has a non-zero tax rate for cryptocurrencies. Germany is the economic hub of the EU, Bitcoin and crypto-assets have a 0% tax when used for payments – this is because there is no VAT.

8. India and Cryptocurrencies

The Finance Minister of India Arun Jaitley has stated that “The government does not recognize cryptocurrency as legal tender or coin and will take all measures to eliminate the use of these cryptoassets in financing illegitimate activities or as part of the payments system”. He has also stated that “Government of India and the Reserve bank of India does not recognizes Bitcoin as a legal tender of money”. The Government of India and RBI does not recognise Cryptocurrencies. This means that an individual or an organisation cannot accept Bitcoin or other cryptocurrencies in form of payments.

9. Conclusion

The cryptocurrencies just made all the middle income/average income person a billionaire overnight. But we should also keep a watch that, whatever happens instantly also downslides meticulously. Thus cryptocurrencies set an example on the true world stating its depreciative value with a blink of an eye. In conclusion, whatever we earn should be liable to the government in accordance with its rules and regulations. We cannot surpass it and fool the economy. The ideology of greediness towards money is the root cause of all the blunders and errors of this economic downfall of these virtual currencies in India.

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