

## **Cryptocurrencies in India: Investor Sentiments and Economic Impact**

**Dr Sachin Chavan,**

Professor, BIIB, Sri Balaji University Pune

**Dr. Manisha Khaladkar**

Professor

Dnyansagar Institute of Management and Research, Balewadi,

Savitribai Phule Pune University

**Dr.Parikshit Mahankal**

Associate Professor

Smt.Jayshree Sharadchandra Kothari Business School,Dadar(W) , Mumbai

**Dr.Anil Poman**

Associate Professor, Lotus Business School

Savitribai Phule Pune University

**Dr. Apoorva Sharma**

Balaji Institute of Management and Human Resource Development,

Sri Balaji University Pune

### **ABSTRACT**

Cryptocurrencies, digital or virtual currencies using cryptography for secure transactions, have gained significant attention in recent years, particularly in India. The impact of cryptocurrencies on investors and the Indian economy is a topic of growing interest. As a new technology, cryptocurrency has attracted increasing attention due to its potential as an alternative to fiat currencies. This paper presents an overview of the current state of cryptocurrencies in India. Key industry players believe that India, as an emerging tech and economic power, will become a key player in crypto and blockchain adoption. The use of Bitcoin and Ethereum could help strengthen monetary policy, attract international capital, create more job opportunities, and retain tech talent to accelerate technological development, driving the nation towards becoming a global powerhouse. This study provides an opportunity to develop analytical skills, technical skills, and exposure to the digital currency revolution. The research method used was a survey through a questionnaire

**Key Words:** Digital Currency, cryptography, Block chain

### **Introduction:**

#### **Cryptocurrency**

The battle is finally over. After nearly two years, the Indian courts have lifted the ban on cryptocurrency in India. On March 4, 2020, the Supreme Court of India declared the RBI's circular of April 2018 unconstitutional, lifting the ban on cryptocurrencies including Bitcoin. This decision marks a significant victory for multiple stakeholders in the crypto industry, who have been advocating for stronger regulation rather than an outright ban. The nation is now filled with exuberance and hope for the future. With the ban lifted, India can leverage its vast population, including over 300 million unbanked people. While other countries are advancing in blockchain technology, India risked losing out on the potential benefits of crypto.

As a sleeping giant with a population exceeding one billion, India has the potential to impact the global economy significantly. Zac Cheah, CEO of Pundi X, stated that the Supreme Court's decision confirms the rise of cryptography and blockchain as emerging innovations. India is Pundi X's second-largest blockchain wallet customer. Allowing cryptocurrency transfers will expand the customer base and integrate more people into digital payments.

Cryptocurrency is a digital or virtual currency secured by cryptography, making counterfeiting or double-spending nearly impossible. Most cryptocurrencies are decentralized and operate on blockchain networks — public databases managed by a distributed computing network. A key feature of cryptocurrencies is their resistance to government intervention or manipulation, as they are not issued by any central authority. The term "cryptocurrency" comes from the encryption techniques used to secure the network. While cryptocurrencies face scrutiny for their potential use in illicit activities, exchange rate volatility, and network structure, they are praised for their portability, transparency, and divisibility.

Cryptocurrencies aim to be free from government control, but this characteristic has faced criticism as they become more widespread. Altcoins, which are cryptocurrencies modeled after Bitcoin, often try to present themselves as improved versions of Bitcoin. Bitcoin, introduced in 2009 by the pseudonymous "Satoshi Nakamoto," remains the most popular and valuable cryptocurrency. By November 2019, over 18 million bitcoins were in circulation, with a market cap of about \$146 billion. Bitcoin uses peer-to-peer technology for online transfers, inspiring many competing cryptocurrencies like

Litecoin, Peercoin, Namecoin, Ethereum, Cardano, and EOS. The global cryptocurrency market cap today is \$1.13 trillion, with Bitcoin's market cap at \$478 billion, representing a 42.38% dominance.

### RELEVANCE OF THE STUDY

This study is relevant to understand deeply the impact of cryptocurrency on investors decision making and the economy. It plays vital role in financial investments nowadays and helps raising digital capital and does affects growth of economy.

- To meet the current requirements of the digital era and influence decisions of the investors.
- Analysing the strengths and weaknesses of cryptocurrency in India.
- Analysing the current position of cryptocurrency and its investors.
- Providing information about the economic position of the economy post introduction of cryptocurrency.
- Studying the change cryptocurrency have made on investors and economy.

### OBJECTIVES OF THE STUDY

- To Analyse Investor Sentiments
- To Examine the Economic Impact:
- To understand the significance of cryptocurrencies according to the perception of investors.
- To Understand Regulatory Influence
- To Explore Market Dynamic
- To Assess Technological Integration

### HYPOTHESES:

1. Investor Sentiments Hypothesis:
  - H1: Indian investors exhibit a predominantly positive sentiment towards cryptocurrencies, influenced by factors such as potential high returns and technological innovation.
  - H2: Negative sentiments among Indian investors are primarily driven by concerns over regulatory uncertainty and market volatility.
2. Economic Impact Hypothesis:
  - H1: The adoption of cryptocurrencies has a positive impact on the Indian economy by increasing financial inclusion and fostering technological innovation.
  - H2: Cryptocurrency trading has a significant influence on the volatility of the Indian financial market.
3. Regulatory Influence Hypothesis:
  - H1: Clear and supportive government regulations positively influence cryptocurrency adoption and investor confidence in India.
  - H2: Ambiguous or restrictive regulatory policies hinder the growth and adoption of cryptocurrencies in India.

### NEED OF THE STUDY

- Will India have any positive financial leverage by the usage of Bitcoin?
- Should India say yes to Bitcoin?
- The crafting of this study is to make us have better understanding towards-
- Bitcoin, Lakshmi Coin and Cryptocurrency.
- This study provides an opportunity to develop analytical skills, technical skills and give exposure towards digital currency revolution.
- To give the overview of the cryptocurrency market in India.

### SWOT ANALYSIS

#### Bitcoin strengths: cryptocurrency can't be tracked or stolen.

Bitcoin uses blockchain (a peer-to-peer) network between the sender and the receiver. Only these two parties are involved. It's unlike any other method of transferring currency — which involves a third party, like a bank. A middleman is prohibited from Bitcoin transactions. And since that pesky third party doesn't exist, it makes Bitcoin a tax-free currency. The government doesn't control or regulate Bitcoin. For most Bitcoin users, this is an insane positive because it's not folly to economic turmoil. Bitcoin's worth is agreed upon by the sender and the receiver. Not an institution. Even if the economy crashes, Bitcoin can survive.

The real strength is the secrecy.

Every person in the Blockchain network has a private wallet address. Trading Bitcoin is fully anonymous. It's 100 percent untraceable. Unless you decide to make your wallet address — but the majority of users don't. Because the anonymity makes your financial data fully hidden.

A unique PIN number assigned to each Bitcoin masks the identity of the seller. Once the Bitcoin is sold, the PIN changes a new. At this point, only the buyer knows the PIN. It's irreversible, unless the current owner decides to change the ownership back.

Although this means nothing can be done once the Bitcoin is sent, it also means you can't steal this currency. You can steal your physical wallet. You can steal credit card info and hijack your online bank account. But you can't steal Bitcoin. It's because of this increased security that pushes people towards cryptocurrency.

**Bitcoin weaknesses: crippling slow transactions and accessibility loss.**

Bitcoin transactions aren't as fast as they were a few years ago. This is one of the downsides of Blockchain: the more people use it, the more Blockchain limits your transactions speeds.

Basically, the blocks get bigger the more it's in use. Making the whole process clunky and slow. Until this problem is resolved, it's unlikely Bitcoin currency will usurp conventional credit card usage. The system isn't the only issue. Don't forget about the Bitcoin wallet password problem. Since the transactions are encrypted, recovering a lost password isn't possible. You'd be surprised how often people forget their password and lose access to their Bitcoins. In fact, one man bought a few Bitcoin years ago when it was dirt cheap. Now it'd be worth millions... if only he could find his password to his wallet.

And what about the survivability of Bitcoin?

The value of Bitcoin has shifted relentlessly over the years. And despite the rocky nature, the media pushes out stories claiming Bitcoin is the future of money. It's just like stocks, however; unpredictable and unreliable. Tomorrow, the value could skyrocket. The day after, it may plummet. The reliability of this currency is too questionable to replace traditional money.

**Bitcoin opportunities: Safety from compromising data breaches**

As a society, we're moving away from physical money in favor of cashless currencies. In fact, big names like Amazon are already accepting Bitcoin as payment for their goods. If companies the size of Amazon are recognizing Bitcoins' viability, it's safe to assume others will follow.

And what about the growing hostility between the public and the banking institutions?

People are looking for safe, secure, and practical means to avoid using banks. Data breaches, involving customer data, is consistently occurring with brands like Facebook and Wells Fargo. How long until the breaches steal credit card info?

No one wants to find out. And others are moving towards Bitcoin. Even with the hang-ups, it's safe. Anonymous. And doesn't involve third parties.

And the opportunities don't stop there.

The blockchain is a phenomenal technology with much promise. The blocks may be able to keep data like criminal records, birth certificates, and public records private. It may pave the way for impenetrable encryption. That's something the masses are leaning towards for data protection.

**Bitcoin threats: the anonymity against governments and banks.**

Anonymity is a benefit. An opportunity. But it's also a problem.

In the wrong hands, anonymous buying is dangerous. Knowing the transaction is untraceable will attract the attention of criminals. Because let's be honest: the more people accept Bitcoin, the more it'll likely be used for more nefarious reasons. It'll also be a problem for the government or law enforcement, after all. If more criminals adopt Bitcoin into their illegal purchases, law enforcement will face a challenge in finding and prosecuting these criminals. As such, we may see more policies and laws regarding cryptocurrency. Although it may be difficult to enforce thanks to the anonymity, the government will still try.

People fear the consequences of these bills. New tech policies misses the mark. Not enough government officials understand the implications of using Blockchain and cryptocurrency. Instead of learning, they're more likely to slap on a bill and hope for the best.

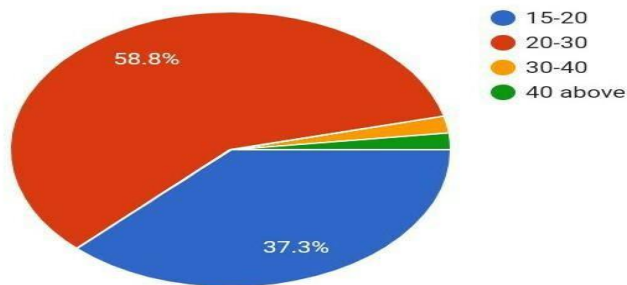
Bitcoin isn't the only cryptocurrency on the market. After its rise in popularity, alternatives like Ethereum and Peercoin hit the markets. If the value of these alternative skyrockets, Bitcoin may be in trouble. To be honest, the overall value of cryptocurrency and lack of reliability is a threat to Bitcoin and its competitors. And just because cryptocurrency appears

infallible now, doesn't mean it will in the future. As more information about it surfaces, the holes will reveal themselves. People, such as criminals, will take advantage of the issues ASAP.

## DATA ANALYSIS AND INTERPRETATION

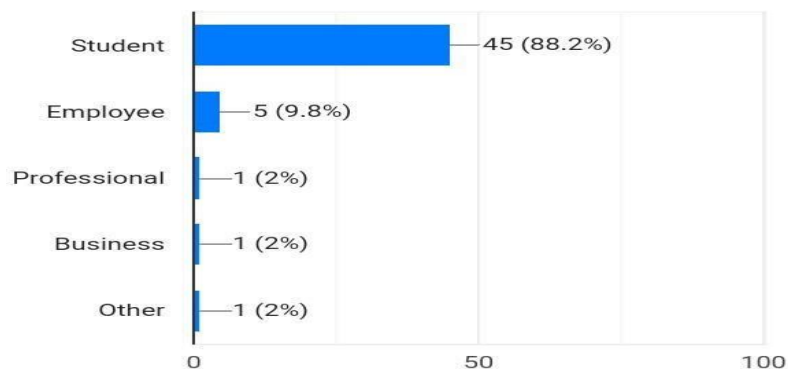
### DATA ANALYSIS.

#### Age -



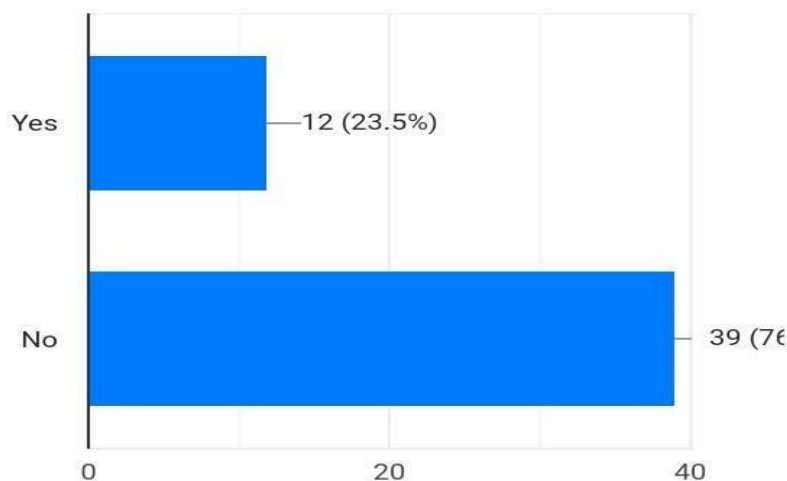
Interpretation – Almost 95 % of the people in the sample were between the age of 15-30 years. This states that most of the people were from the young generation.

#### Occupation -



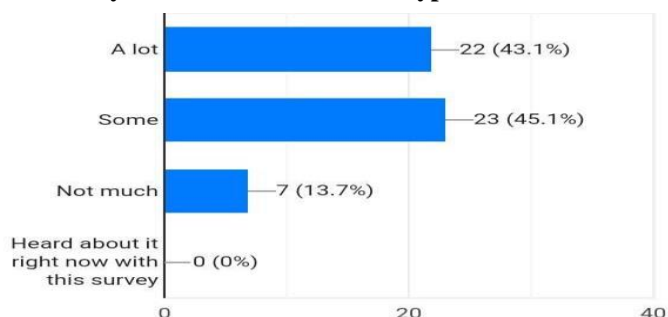
Interpretation - out of the sample of 50 most of them were students and some working employees. Small part of the sample was from the category of business, professional and others.

#### Do you own cryptocurrency?



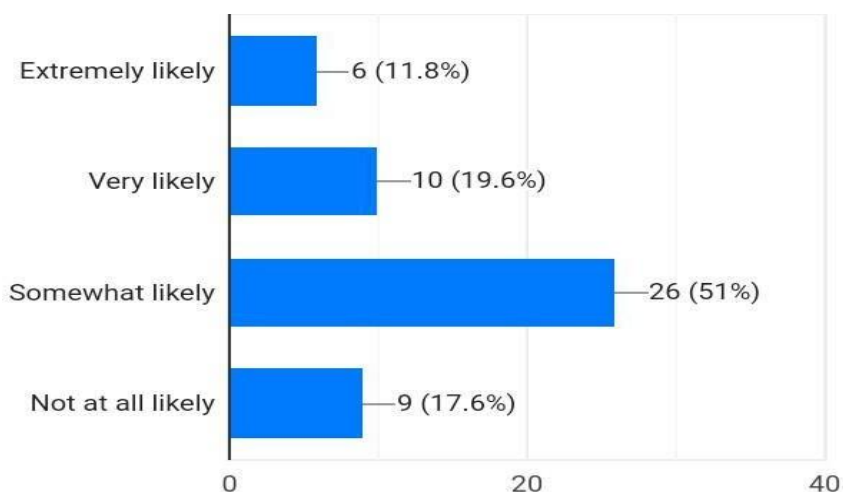
Interpretation – As most of the people from the sample were learning student majority of them did not own any type of cryptocurrency, yet there are some who did own cryptocurrency.

**How much, if at all have you heard or read about cryptocurrencies such as bitcoin or Ethereum?**



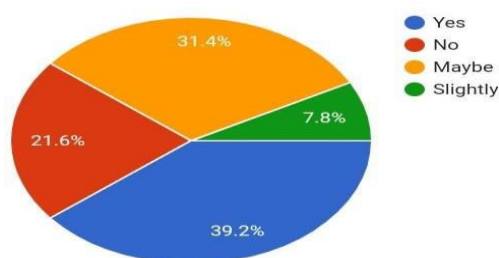
Interpretation – Majority of the people from the sample are aware about the concept of cryptocurrency and have good knowledge about it as most of them are learning students and people of the current generation.

How likely are you to invest in cryptocurrency this year?



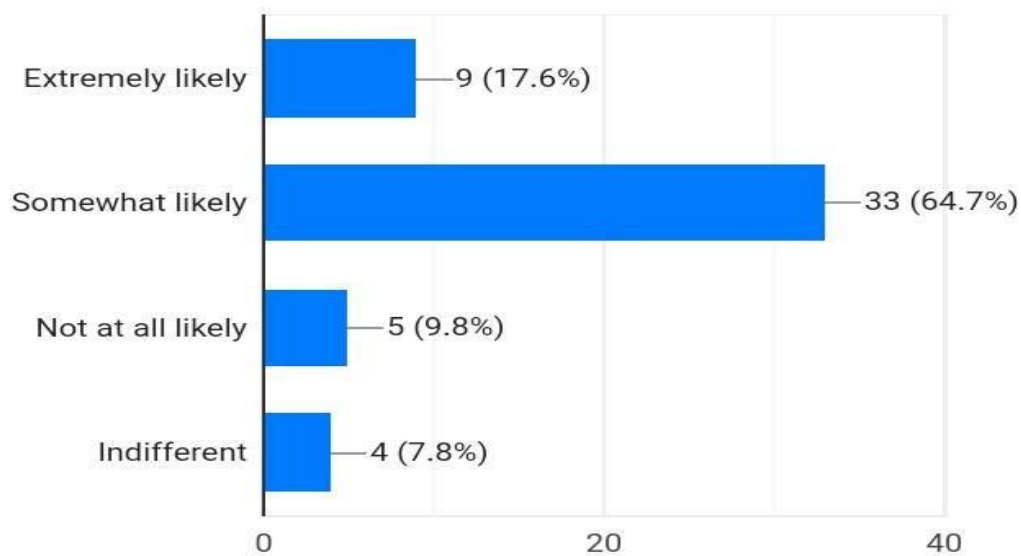
Interpretations- most of the people are somewhat likely to invest in cryptocurrency this year and considering the decision of buying cryptocurrency.

If you are a regular investor or want to start investing, does the introduction of cryptocurrency have impacted your decision of investment?



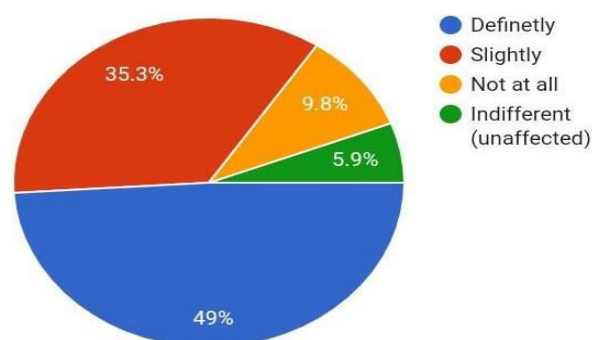
Interpretation - the introduction of cryptocurrency has impacted differently on different people regarding their investment decisions.

**Cryptocurrency is still in its infancy stage and may undergo many changes in the near future which makes it extremely volatile. How likely would this affect your decision to use cryptocurrency?**



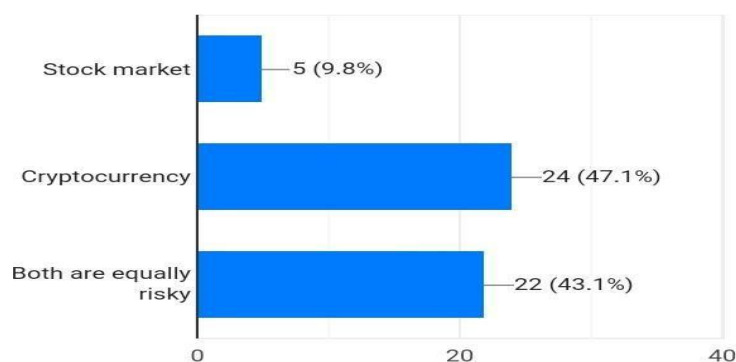
Interpretation – the extreme volatile nature of cryptocurrency has affected the decision of investment in cryptocurrency of most of the people.

**Unlike other currencies, cryptocurrency requires much less fees to operate. Would this increase your interest in using cryptocurrency**



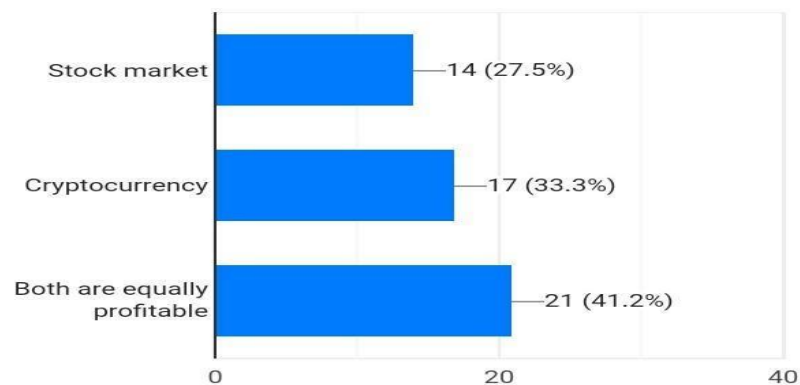
interpretations – on knowing about the low-cost investment requirements of cryptocurrency have increased the interest in investment in cryptocurrency of majority of the people.

**In your opinion which is riskier, investing in stock market or investing in cryptocurrency?**



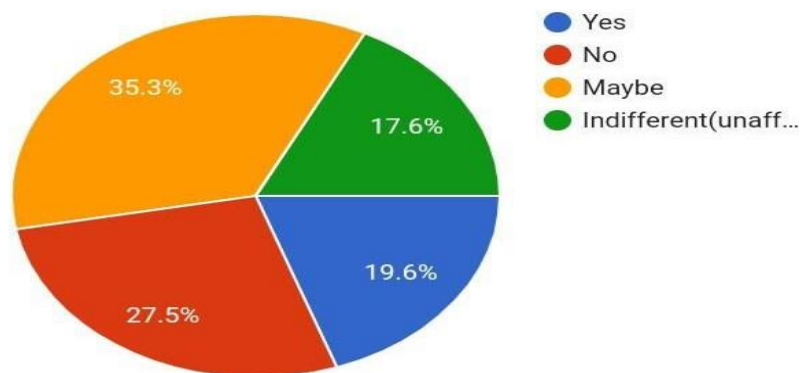
Interpretation –majority of the people believe that cryptocurrency is riskier to invest in than stock market.

Which is more profitable, investing in cryptocurrency or investing in stock market?



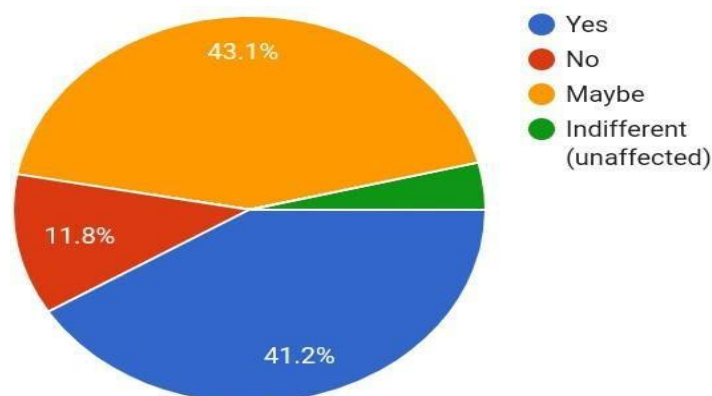
Interpretation - the profitability comparison of cryptocurrency does not seem to give concrete biased results, rather both of them are considered profitable according to the survey results

**Cryptocurrency have no tangible form, does that diminish the value that you perceive about cryptocurrency?**



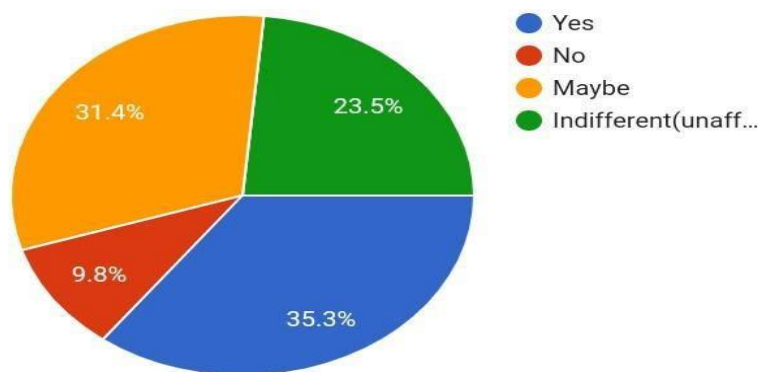
Interpretation – the intangibility of cryptocurrency did not affect strongly to majority of the people and had mixed result

**If cryptocurrency providers created tangible coins or notes for its users with banks and ATMs readily available but remained non-government regulated, would this increase your interest in cryptocurrency?**



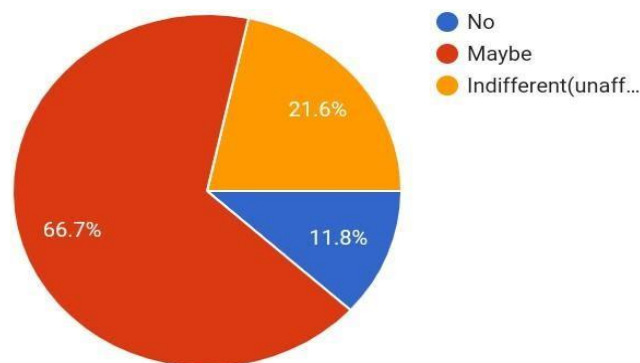
Interpretation- most of the people are unsure about their interest in cryptocurrency even if it gets in tangible form and some of them are definite about their increment in interest due to cryptocurrency's tangibility

**Cryptocurrency is Non-government regulated which offers users more freedom. would this increase your interest in using cryptocurrency?**



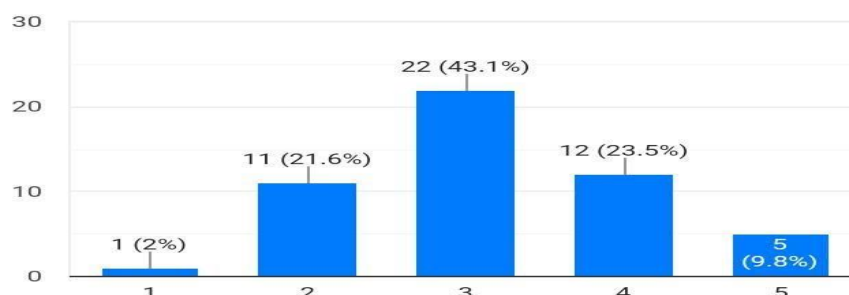
Interpretation – Freedom in investment and less government regulations attracts people to invest in cryptocurrency and increase their interest.

**If cryptocurrency is government regulated but remained intangible, would this increase your interest in using cryptocurrency?**



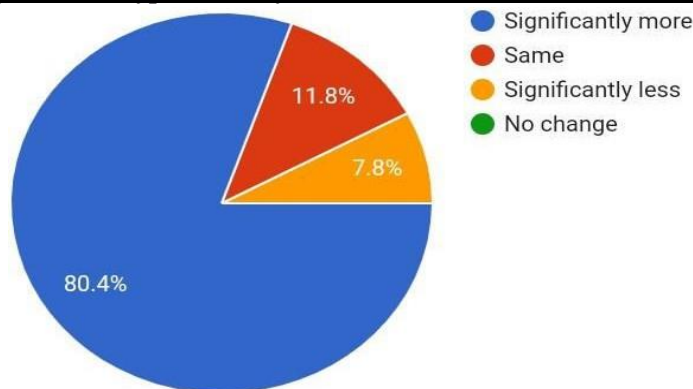
Interpretation – there is no concrete or strong opinion about government regulation on cryptocurrency impact on people of the sample.

**How do you think cryptocurrency have impacted the economy of India?**



Interpretation – on a scale from 1-5 where 1 being most negatively impacted and 5 being the most positively impacted, the results are mostly neutral and indicate, cryptocurrency have not drastically impacted the economy of India



**In five years, do you think cryptocurrency will be worth more or less than it is today?**

Interpretation – 80% of the people believe that in the next five years cryptocurrency will be worth significantly more than it is today.

**Hypothesis Testing:****1. Investor Sentiments Hypothesis**

Sr No	H <sub>0</sub>	H <sub>1</sub>	$\chi_{cal}$	$\chi_{table}$	p_value	Decision
1	Negative sentiments among Indian investors are primarily driven by concerns over regulatory uncertainty and market volatility.	Indian investors exhibit a predominantly positive sentiment towards cryptocurrencies, influenced by factors such as potential high returns and technological innovation.	321.62	40.11	6.72E-64	Reject H <sub>0</sub> (i.e., Indian investors exhibit a predominantly positive sentiment towards cryptocurrencies, influenced by factors such as potential high returns and technological innovation.)

**\*\*Here Level of Significance is 0.05**

Chi-Square calculated value = 321.62,

Chi-Square Table value = 40.11

Degree of Freedom = 27

Result of test = (H<sub>0</sub>) Rejected

The Chi-square calculated value (321.62) is more than table value (40.11), this indicates that the null Hypotheses (H<sub>0</sub>) is rejected, and the alternative Hypotheses (H<sub>1</sub>) is accepted.

**2. Economic Impact Hypothesis**

Sr No	H <sub>0</sub>	H <sub>1</sub>	$\chi_{cal}$	$\chi_{table}$	p_value	Decision
1	Cryptocurrency trading has a significant influence on the volatility of the Indian financial market.	The adoption of cryptocurrencies has a positive impact on the Indian economy by increasing financial inclusion and fostering technological innovation.	168.02	26.30	2.09E-27	Reject H <sub>0</sub>

**\*Here level of significance is 5%**

**Decision: Reject H<sub>0</sub> at 5% level of significance i.e., Accept H<sub>1</sub>**

**3. Regulatory Influence Hypothesis:**

Sr No	H <sub>0</sub>	H <sub>1</sub>	$\chi_{cal}$	$\chi_{table}$	p_value	Decision
1	Ambiguous or restrictive regulatory policies hinder the growth and adoption of cryptocurrencies in India	Clear and supportive government regulations positively influence cryptocurrency adoption and investor confidence in India.	311.88	26.30	8.80E-57	<b>Reject H<sub>0</sub></b>

**\*\*Here Level of Significance is 0.05**

Chi-Square calculated value = 311.88  
 Chi-Square Table value = 26.30  
 Degree of Freedom = 16  
 Result of test = (H<sub>0</sub>) Rejected

**CONCLUSION**

Cryptocurrency is an invention that has become a global phenomenon. Initially, the RBI warned Indians about the risks of cryptocurrency, associating it with money laundering and terrorist financing. However, cryptocurrency represents modern technology and a tool for the future. Despite the lack of regulatory response from the Indian government, the number of cryptocurrency investors has been increasing swiftly in recent years. The Indian government should take responsible steps to regulate this currency as its use in India is rapidly growing. The future of cryptocurrency in India looks promising and offers a ray of hope. Cryptocurrencies could significantly benefit by overcoming the lack of social trust and increasing access to financial services (Nakamoto, 2008). They can support growth in developing countries by increasing financial inclusion, improving fund traceability, and helping people escape poverty. The future of cryptocurrency is promising, revealing opportunities to bring positive changes and progress to the e-Business and e-Payment sectors. With rapid technological advancements, cryptocurrency will continue to progress

**Bibliography**

1. James, B, and M Parashar. "Cryptocurrency: an overview on its impact on Indian economy." Int J Creat Res Thoughts 6 (2018): 695-698.
2. Yadava, Anup Kumar. "Prevalence of Crypto-currencies: A Critical Review of Their Functioning and Impact on Indian Economy." Int J Res Economics Soc Sci 8 (2018).
3. Davis, K. "The Coming Age of Bitcoin-An Indian Way of Seeing Things." Wesleyan Journal of Research, West Bengal, India, (2021).
4. Mohsin, Kamshad. "Cryptocurrency and its impact on environment." Int J Cryp Curr Res 1 (2021) 1-4.