

Cryptocurrency: An Indian Perspective

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Abstract: Recent developments in the cryptocurrency market have raised a debate about whether cryptocurrencies as a vehicle for economic growth have benefits that outweigh the dangers of open crypto trading. Economies across the world have undergone a transformative shift during the Covid19 pandemic, and India is no exception to this. Indians now have employment opportunities that leap beyond borders, all from the comfort of our own homes. Against this backdrop, this paper explores the role cryptocurrencies play in enabling cross-border transactions and how a healthy crypto market affects economic growth across nations.

Keywords –Cryptocurrency; digital payment; service exports; Indian economic legislations

1. Introduction

A robust digital framework and a global society have emerged from the thickets of the Covid19 pandemic. Demand for goods and services, which can be met from just about anywhere in the world continues to build up since the pandemic. This allows for greater specialization benefits, and India especially can benefit considerably from this.

Even though India missed the first wave of global large-scale manufacturing of exports, it is well in time to board the ship for global delivery of services. The scope for service sector exports is huge, and India can export software and IT, languages, medicine, and much more, which can be provided from the service provider's homes, requiring negligible amounts of capital investments. India also has the world's largest and youngest population and has the added advantage of competitive rates on its side. Areas outside of metropolitan regions have an even bigger competitive cost advantage.

The software boom of the 2000s was only possible due to the lack of interference and support extended by the Government. A conducive environment, including government policies that nurture the sector, is imperative for growth.

When it comes to digital payments and cryptocurrency reforms, we need to address not so much what the government needs to do, but what restrictions need to be removed. Restrictions on cross-border digital payments prevent citizens from capitalizing on opportunities.

Labour market participants in India now have the possibility of providing services to firms abroad from their homes. The role of the government in such a scenario is to provide a framework that does not stifle such opportunities including the ability to participate in alternate payment systems. More so, as cryptocurrencies and other digital modes of payments are becoming increasingly commonplace in the US, UK, Europe, and Japan and these modes of payments are what buyers of Indian services will want to use. A ban on cryptocurrencies and other digital payments will reduce the possibility of higher income earnings for Indian households.

2. Literature Review

Cryptocurrency and Economic Growth

Biswajit Palit and Sakya Mukherjee (2022) explain the role of macroeconomic policies in the growth of cryptocurrency in India. The working paper puts the onus of crypto trade and management on the government, making it responsible for creating a minimum risk atmosphere for trading. The paper studies the impact of including a digital market in the economy and analyses the effect on interest rates and the overall GDP of India. The paper is however constrained by the Central Bank of India not announcing the introduction of digital currency in India. The Reserve Bank of India banned cryptocurrency transactions in 2018 leading to the last known transaction being January 8th 2019, the paper is limited to the mentioned date.

Dr. Vijeta Banwari (2017) explores the possible avenues of growth for cryptocurrency in India. The working paper goes into depth about blockchain technology and its ability to modernize data storage. The many opportunities that cryptocurrency provides to a developing country like India are highlighted in the paper, particularly the aspect of anonymity and lack of middlemen for transactions.

The paper does not discuss the need to build a strong framework for virtual asset transactions in India.

Peter D DeVries (2016) in his article traces the evolution of crypto and its technological advancements which are laying a foundation for its official use in the future. To argue for his interpretation, he considers different currency performances of the year 2015 and compares them with the performance of crypto. He also traces the countries that used crypto for transactions and how that impacted their economic performance. He points out many weaknesses and threats in forms of ownership, online transactions, and instability in growth but also sees opportunities as there is an ease of business and moving out of the traditional banking sector. It does not identify the role of government in crypto regulation.

Anil Kumar V.V and Swathy. P (2019) analyze different varieties of crypto-currencies, their features, working and interprets that though these currencies were brought in as an alternative financial path outside government during the 2008 financial crisis, they have been seen from the positive as well as negative point of view. They come down to the phrase that though it is tough to accept it as an alternative, it is easy to use. In addition to advantages and disadvantages, they throw some light on legal constraints crypto would face in India concerning RBI and Parliamentary constraints. They have isolated the evolving technological progress achieved by crypto over time.

Cryptocurrency and Regulations

Jeong Hun Oh and Kevin Nguyen (2018) assert the need for central banks to include cryptocurrency in their policies for the future. They also maintain cryptocurrency as a threat to the money supply of the central banks. The working paper uses money market models to explain an increase in the total money supply out of the central bank and the government's control in a scenario where the central bank issues its cryptocurrency. The paper uses the example of the United States, Japan, Sweden, and Venezuela to show the responses of different governments toward cryptocurrency highlighting the direct relationship between issuing cryptocurrency and money supply in the country. The paper does not probe into the role of government legislation on the growth of cryptocurrency.

Rahul J. Nikam (2018) provides a framework for the regulation of cryptocurrency in India. The working paper emphasizes the increasing popularity of cryptocurrency worldwide and the need for India to draft regulations concerning the technological platform models used for cryptocurrency. The author attributes this move as an opportunity to provide wide financial access in India. The paper discusses the laws existing in the Indian legal framework regarding transactions both digital and physical at length. The paper does not go into depth about the role of the Central Bank and policies adopted by the Government in furthering the use of cryptocurrency in India.

Paras Vishwakarma, Zohaib Khan, and Dr. Taruna Jain (2018) address the legal aspect of the growing cryptocurrency market and the challenges it poses to India. The working paper highlights the futility of banning cryptocurrency as it is impossible to completely curb the sale and purchases without internet censorship. The paper mentions the ongoing debate about the acceptance of cryptocurrency as legal tender and discusses the various issues associated with cryptocurrency namely decentralization, absence of a defined legal framework, and more importantly money laundering. The paper delves into the nuances of India's legal framework concerning digital assets and transactions but leaves room for issues concerning the storage of cryptocurrency.

Anjum A Tadvi (2018) has studied the evolution, working, and mining of one of the biggest crypto i.e., Bitcoin. Emphasis is given to its blockchain keeping in mind its future impact on society. The negative impact in the form of dark-web tensions and the Silk Road marketplace have been critically evaluated with suitable examples like the Charlie Shrem case, Ross Ulbricht case, MT GOX case, etc. the legal constraints and taxation techniques used against crypto across various countries with special reference to India is also looked at. One important constraint (gap in research) is that the role of evolving crypto technology is isolated.

Dayo Afelumo (2021) in his article studies crypto from an independent phase without government regulation and insists regulations should be at their minimum for the businesses and currency value to flourish. The author lists various regulations awaiting crypto- currency namely environmental regulations (question of environmental damage by mining), anti-trust (as crypto carries with it money element, it will face the legislature) Licensing (the decision of transfer of power of authority to buy/ sell), etc. One important constraint (gap in research) is that it gives the least importance to economic defaults like corruption, private market exploitation, etc.

J.P Jaideep and K. Rao Prashanth Jyoty (2019) studied the Indian stance on crypto circulation after it gained momentum. They analyze the role of RBI in imposing legal restrictions and also bring out various platforms which are engaged in crypto transactions. They have concluded how the present online transaction system would make way for the black market in crypto in the future. Besides, they have critically evaluated how trading in crypto would be performed and finally how this would impact the Indian economy. They did not bring in the role of governmental regulation and technological evolution of crypto.

A Community Paper by World Economic Forum (2021) analyzes the crypto framework and its characteristics. They construct a bunch of regulatory networks to be considered namely: macro-economic and multi-level integrated jurisdictional risks (which involve commercial banking and cross-border market issues), compliance, and operational risks. They also bring in the factor for necessary consumer protection. They also point out opportunities with inclusion as necessary innovations that would benefit society. Finally, they consider a bunch of countries involved in the crypto transaction and study their definition, taxation and impact of crypto. They isolate the corruption and black market which is a higher risk as well.

Cryptocurrency and the Market

Dr. Arvind Kumar Singh and Karan Veer Singh (2018) attempt to analyze the regulatory policies of cryptocurrency in India using Bitcoin as the base example. The working paper discusses the various aspects of the regulation of

cryptocurrency in India through the use of government-verified address documents. They also analyze the growth of various other cryptocurrencies in comparison to Bitcoin and conclude that Litecoin enables the fastest exchange between users while Bitcoin has the highest attention despite the presence of other currencies fetching higher returns for investments. The paper is limited in its attempt to introduce cryptocurrency as a method to beat surveilled transactions through the introduction of using government-verified documents to trade.

Varun Shukla, Manoj Kumar Mishra and Atul Chaturvedi (2022) attempt to provide a chronological account of cryptocurrency in India with the Financial Budget of 2022-23 as the base of the paper. The working paper views the decision of the government to ban cryptocurrencies in 2019 and the Supreme Court verdict in 2020 as key milestones in the journey of cryptocurrency in India. The paper discusses the introduction of a 30% tax on the crypto trade in India. The paper fails to mention the projected growth of cryptocurrency in India and the influence of the Central bank in the cryptocurrency market.

Shailak Jani (2018) starts with a complete market value-based analysis of crypto-currencies i.e., Bitcoin, Ethereum, Ripple, Litecoin, Monero and Neo show an increasing trend in these currencies, especially after 2017. An estimate of how these currencies emerged in India and their current dealers' (BtcxIndia, Unicorn, Zebpay etc) financial position is stated. An analysis of how one can obtain these currencies (buying these, exchange for real financial assets etc) is given. The paper evaluates that in the presence of advantages like stable financial techniques, and technological advancements, disadvantages in the form of fluctuation risk, security threats, money laundering, identity risk, and black market spoil the emergence of this market as it causes constraints on the investors. The paper ignores the role of commercial banking which is regulating masses around the world.

Mohammed Mubarak (2021) tries to understand the working and characteristics of Bitcoin (a type of cryptocurrency) by differentiating between digital, virtual and cryptocurrency. He identifies how Bitcoin can easily be duplicated causing a threat to the investor/ the buyers. He traces out the history, buying and selling procedure of Bitcoin in India and brings out platforms engaged in trading namely Unicorn and WazirX. He also gives out platforms where Bitcoin can be used as a method of payment (for instance BookMyShow, eTravelSmart etc). Analysis of relationship with RBI is cleared off. An estimate based on a comparison between gold and Bitcoin value is made. One important constraint (gap in research) is that the paper ignores the evolving technology which is useful when compared to emerging financial technology.

3. Research Gap

Few extant literatures identifies the role of cryptocurrencies in the vulnerable post-covid state of economies. This paper aims to underline the importance of cryptocurrencies and digital payments in promoting economic growth and employment, and the position of the government in the cross-border payments market.

4. Research Objectives

- To find policy alternatives that strikes a balance between the government's reservations toward cryptocurrencies and technology innovations.
- To find the way forward for cross-border transactions in this increasingly globalised society.
- To undertake a comparative analysis between Government legislations in economies across the world and policy implications on the economy

5. Research Questions

- What is the role of cryptocurrencies and digital payments in the Post-Covid19 Indian economy?
- What is the optimal level of government intervention in the sector?
- Will facilitating cross-border transactions through cryptocurrencies and other mediums of payment be feasible in the Indian context?

6. An Analysis of major Crypto- currencies value from the time of its origin -

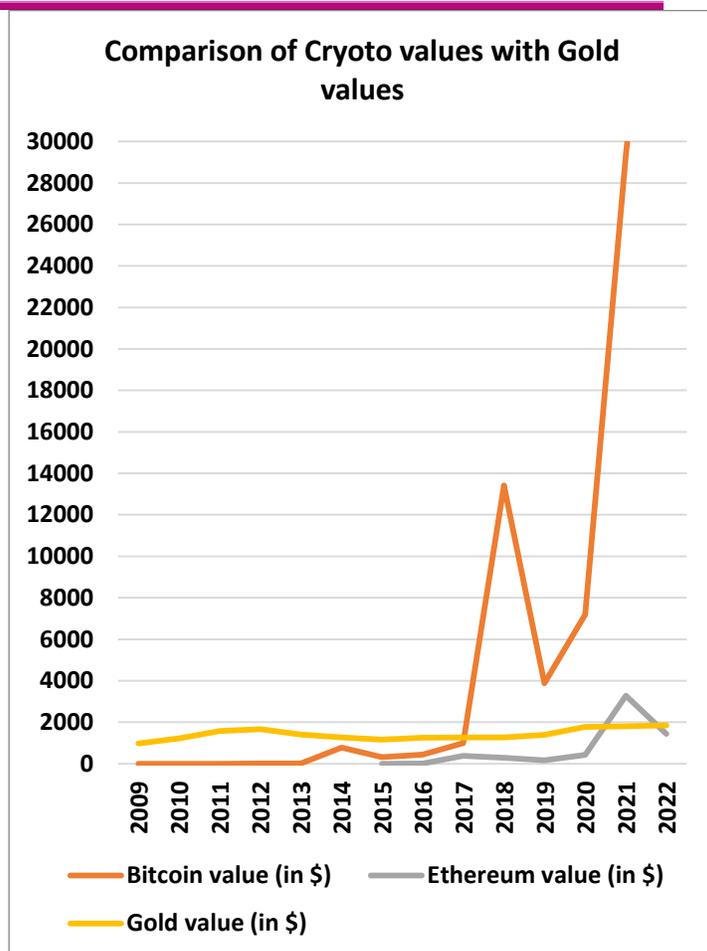
The origin of crypto currency was a result of one of the most devastating financial crisis i.e., the housing bubble of 2008-09. Initially, the main motive of the bank was to capture as much profit as possible from deposits and various other schemes. For this purpose they had in place many strategists who would assist banks in planning for gains in different financial years. One of the plans of these strategists was to bring down the interest rates on housing as there would be more borrowing and banks would be at profit. This backfired as in people were borrowing more than their ability to buy houses out of their reach. This also led many defaulting on their mortgages further flooding the housing market. Hence, supply was more than demand crashing the housing prices in the United States. As many of these banks were interconnected and were spread around the world (in terms of trade and regulation), their failure led to international economic crash putting the world into recession.

Though many government spending and tax cuts brought things back on track, it left a negative impact on people about the banking system. It was during this time, when people had little faith on the banking system, an alternative monetary system like structure was launched Satoshi Nakamoto when he authored the Bitcoin whitepaper. There could not have been any other good time to do so. Since then, Bitcoin along with various such alter currencies is at a surge. The surge did not happen right after the launch. It took a considerable about

of time along with various measures and technological advancements with will be sighted later.

Following is an analysis of the value (in terms of \$) of popular crypto- currencies namely: Bitcoin and Ethereum (right from the time of their existence in the marketplace) in comparison to global value of gold.

Year	Bitcoin value (in \$)	Ethereum value (in \$)	Gold value (in \$)
2009	0		973.66
2010	0.4		1226.66
2011	1		1573.16
2012	5.27		1668.86
2013	13.3		1409.51
2014	770.44		1266.06
2015	313.92	1.25	1158.86
2016	434.46	11.22	1251.92
2017	997.69	380.71	1260.39
2018	13412.44	283.75	1268.93
2019	3869.47	168.69	1393.34
2020	7188.46	423.08	1773.73
2021	29391.78	3280.41	1798.89
2022	47743	1435.79	1849.43



*Source: Macro trends

The foundation to crypto currencies was laid by the introduction of digi- cash by David Chaum in 1995. Bitcoin was the first crypto- currency to be adopted. Later many of these followed. Today there are 1583 crypto currencies and among them Bitcoin, Ethereum and Ripple are popular.

The valuation of Bitcoin started at 0\$ and continued to be in single digit until the mid of August 2013 where it was valued at 13.3\$. Later, as early as march in 2014, the value reached all time apex back then valuing for about 770.44\$ and this was not permanent as the market was at a high risk of fluctuation. It had a negative down fall the following year and it was not a good year for Bitcoin as because of the reduced value a cloud mining centre was forced to stop its operations. From then on, there was increased contribution to technological advancement which led to stably increasing value. Looking at the increased value, many governments tried to get into the process of developing these types of currencies. The pandemic was as similar as 2008 condition to people. Thus, more investments poured into Bitcoin as people had a fear of banking system failure. When the world suffered during the pandemic, the investors of Bitcoin had a great time with Bitcoin hitting 7500\$ mark.

As Bitcoin was created to be an alternative financial method, Ethereum was more leaned towards smart contract

functionality. It was developed by Vitalik Buterin in 2015. The purpose it serves is not only limited to transactions as in the block chain allows for interest on holdings, NFTs, gaming platforms, social media hacks etc. When it was initiated, it had a valuation of 1.25\$ which deliberately fluctuated overtime until it reached its first spike in 2017 with 381\$ when the founding members decided to decentralize the finances (DeFi) which brought in many projects under the block chain network. Following the change in initiative investments flowed in heavily leading to a strong market foundation. The value was at its apex in 2021 (reaching 3280\$). The reason is the Upgradation of technology (EIP 1559) and the new DeFi being Metaverse.

Following are some reasons which are prominent when it comes to fluctuation in crypto- market: -

- a) Demand and Supply – The basic determinant of any commodity/ metals is its demand and supply. The value of a particular crypto- currency is high when its demand is high (given sufficient supply). The supply usually varies for different currencies. For instance, in Bitcoin the supply is fixed (21 million) whereas for Ethereum there is no cap. The growth and transactions of crypto depends on the monetary policy followed by the currency executive.
- b) Regulations – In some countries, crypto- currencies are regarded to be assets whereas in others they are treated to be currencies. The question of who should be responsible for the regulation of exchange process arises (as the understanding of crypto to different institutions is different). As governments today are representative of population, they can be given the job with a condition that regulations should be in place to ease the flow of crypto and not restricting it with government measures. More the restrictions on trade less would be its popularity which eventually will lead to lower demand and finally collapse of market.

United States of America (USA)

In 2013, the US Treasury recognized Bitcoin (₿) i.e., cryptocurrency as a convertible decentralized virtual currency.

According to the IRS (Internal Revenue Service), Bitcoin is a property. They are regulated by the Financial Crimes Enforcement Network (**FinCEN**), a part of the US Treasury for anti-money laundering and combating the financing of terrorism purposes. The United States Securities and Exchange Commissions (**SEC**) regulates crypto assets that are considered as securities. The Commodity Futures Trading Commission (**CTFC**) regulates crypto assets that are viewed as commodities for instance Bitcoin. All virtual asset service providers (**VASPs**) or money service businesses (**MSBs**) are subject to registration, anti-money laundering laws, recordkeeping and are accountable to the FinCEN. The exchange of cryptocurrency is legal; however, it is **not legal tender**.

United Kingdom (UK)

- c) Influencers – The value of crypto- currencies also depends on how many public figures have a say on it. For instance, taking the example of Elon Musk who expressed through twitter that he holds certain crypto- currencies (Bitcoin, Ethereum and Dogecoin) and would prefer not to sell them. Elon Musk being one of the most successful business personalities, many individuals would prefer to buy these currencies as they have hope not in the currency but in Elon Musk. Thus, influencers can play a prominent role in fluctuation of the values of crypto- currencies.
- d) Cost of Production – The process of bringing in new crypto- currency is known as mining. Mining is when new blocks are verified by the computers on the block chain. The verification process of a crypto- currency requires intense computing process wherein many participants invest in the process which involves new equipments and electricity. As the cost of mining increases the value of crypto- currency also goes up (the miners would prefer not to mine if the value of the currency they are mining is lower than the cost involved in mining process).
- e) Upgradation of software technology – Bringing in technological advancements can influence the value of crypto- currencies. For instance, for Bitcoin it was the introduction of SegWit (Segregated Witness) and the activation of this software there was a spike in the value of Bitcoin (the value was almost double). Similarly, for Ethereum, it was the EIP 1559 and the new DeFi being Metaverse. Thus, more investment in technology means more attraction of investors.

7. Legislative positions across countries

Cryptocurrency was first recognized by the UK in 2014 for tax purposes.

It is viewed in the UK as property and not as legal tender. The cryptocurrency market in the UK is regulated by the Financial Conduct Authority (**FCA**) which is a part of the 2018 United Kingdom Crypto Assets Task Force. As per the Amendments to the Money-Laundering, Terrorist-Financing and Transfer of funds (Information on the Payer) released by the HM Treasury in July 2022, cryptocurrency is regulated and forced to comply with anti-money laundering laws. The regulations enforced in the UK are conservative, the FCA has banned the offering of crypto derivatives in 2021. Cryptocurrency also invites six different taxes as outlined by **HMRC** (Her Majesty's Revenue and Customs) in 2019 under their crypto assets taxation policy.

Japan

With the Payment Services Act of 2017, Japan became the first country to legally define virtual currency.

Cryptocurrency in Japan is regulated by the Financial Services Agency (FSA) in tandem with the Japan Virtual Currency Exchange Association (JVCEA) and the Japan

Security Token Offering Association (JSTOA). All providers of crypto asset exchange services have to mandatorily register with the FSA. All crypto exchange providers in Japan are set to comply with the anti-money laundering law (Prevention of Transfer of Criminal Proceeds Act 2018, Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism 2021) . Cryptocurrency is legal in Japan and is defined as a payment method not expressed in fiat currency.

India

India first recognized cryptocurrency in 2013 with the Reserve Bank of India (RBI) issuing a circular meant to warn users of the potential security lapses associated with the use of virtual currencies.

In 2017, the RBI and the Finance Ministry then headed by Smt. Surekha Marandi and Mr. Arun Jaitley respectively issued a joint notice further clarifying that virtual currencies are not legal tender in India. In early 2018, The Central Board of Digital Tax (CBDT), a part of the Ministry of Finance issued a draft scheme proposing a ban on all virtual currencies and within a month of the draft the RBI began restraining financial institutions and payment service providers from the sale and trade of virtual currencies. In March 2020, the Supreme Court of India overruled the RBI circular issued in 2018 on the crypto banking ban by deeming the circular unconstitutional. In early 2021, the Government of India announced its willingness to introduce a bill to create a sovereign digital currency while still holding a blanket ban on private cryptocurrency (Indian Budget Proceedings 2022-23). The proposed bill titled The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 has not been tabled in parliament as of July 2022. However, in March 2022 the Lok Sabha (Lower House of the Parliament of India) passed the Finance Bill 2022 which proposes a 30% tax on any income generated from the transfer of virtual assets in India.

Switzerland

Cryptocurrency is legal in Switzerland and the government has taken a liberal stance with little to no regulations with respect to the sale and purchase of virtual currency or in their use as a mode of payment.

Cryptocurrency is regulated by the Swiss Financial Market Supervisory Authority (FINMA) which has split the tokens into three categories: payment basis, utility basis and asset tokens. All Virtual Asset Service Providers (VASPs) are subject to the Anti-Money Laundering Act (FINMA-AMLO legislation, Article 10). Other than mandatory compliance to the Anti-money laundering act, crypto in Switzerland remains largely unregulated.

Singapore

Cryptocurrency is legal in Singapore and is one of the first few countries to wholeheartedly involve the same into its economy along with Switzerland and Estonia.

Cryptocurrency in Singapore is regulated by the Monetary Authority of Singapore (MAS), Singapore’s Central bank and the Commercial Affairs Department (CAD). According to the **Notice PSN02** issued by the Monetary Authority in 2019, all cryptocurrency service providers are subject to their crypto related Anti-Money laundering regulations (Payment Services Act). The notice is one of the first of its kind as it introduces a framework for digital payment token service providers (Singapore uses the term digital payment token to refer to all digital representations of value without a physical form that are usually maintained using blockchain technology) for the purpose of anti-money laundering and countering the financing of terrorism.

8. A graph-based analysis of macro parameters and the presence of a crypto market.

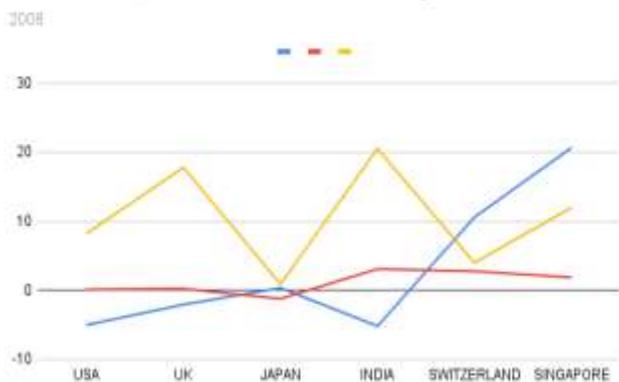
Graph 1.1 (2008), 1.2 (2018), 1.3 (2019) and 1.4 (2020) are representative of the trade deficit, GDP growth rate and money growth rate across 6 countries (USA, UK, Japan, India, Switzerland, Singapore).

According to the 2021 report of the United Nations Conference on Trade and Development (UNCTAD), Ukraine is the largest crypto holder with 12.7% of its population holding cryptocurrency, Singapore is the 4th largest crypto holder with 9.4% , USA is the 6th largest with 8.3% and India is the 7th largest crypto at 7.3%.

The introduction of cryptocurrency globally occurred in 2008, making that year one of significance as the last year's pre- virtual currency. A decade later, we see the full effect of both the liberal and conservative stances observed by different countries on cryptocurrency.

2008	Trade Deficit	GDP Growth Rate	Broad Money Growth
USA	-5.02	0.12	8.2
UK	-2.06	0.24	17.8
JAPAN	0.34	-1.22	0.9
INDIA	-5.17	3.09	20.5
SWITZERLAND	10.6	2.76	4
SINGAPORE	20.66	1.86	12

Trade Deficit, GDP Growth Rate and Money Growth Rate



*Source: World Bank

The United States of America recognized cryptocurrency in **2013** followed by the United Kingdom in **2014** and Japan in **2017**. India took the initiative to recognize cryptocurrency in **2013** but in **early 2018** issued a nationwide ban on the sale and purchase of the same. Switzerland and Singapore have adopted a pro-cryptocurrency stance from the very beginning by taking steps to involve cryptocurrency in their economy with little to no restrictions.

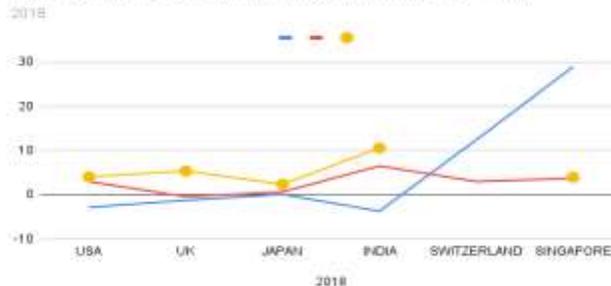
2018	Trade Deficit	GDP Growth Rate	Broad Money Growth
USA	-2.9	2.92	4
UK	-1.3	-0.48	5.3
Japan	0.02	0.58	2.3
India	-3.76	6.45	10.5
SWITZERLAND	12.33	2.92	-
SINGAPORE	28.86	3.66	3.9

In **2018**, USA (-2.9), the UK (-1.3), India (-3.76) observed negative trade deficits, Japan (0.02), Switzerland (12.33), and Singapore (28.86) observed positive trade deficits. A positive trade deficit is indicative of the positive impact felt by the country's trade relations with respect to crypto, it also has a positive impact on the value of a country's physical currency. It is important to note the countries observing a positive trade balance have adopted a liberal stance on regulating cryptocurrency in comparison to the three that have adopted a much more conservative stance. The **GDP Growth Rate** however remained relatively stable and high in both crypto liberal and crypto conservative countries. The Indian economy despite the cryptocurrency ban drafted by the Reserve Bank of India and demonetization managed to have a growth rate of 6.45%. **Broad Money Growth** too

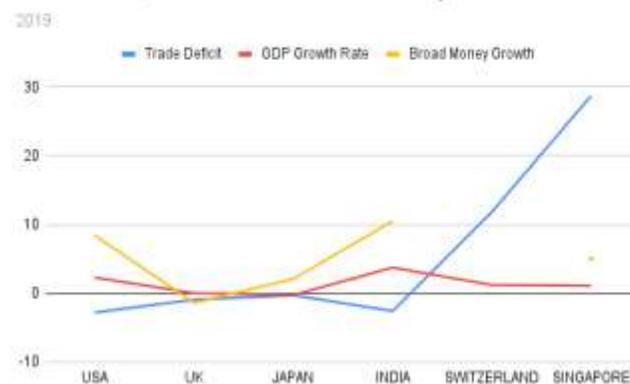
avored India in 2018 with an astounding 10.5% in comparison with the other 5 countries holding fort with single digits.

2019	Trade Deficit	GDP Growth Rate	Broad Money Growth
USA	-2.79	2.29	8.4
UK	-0.92	0.02	-1.4
JAPAN	-0.29	-0.24	2.1
INDIA	-2.58	3.74	10.5
SWITZERLAND	11.85	1.21	-
SINGAPORE	28.74	1.1	5

Trade Deficit, GDP Growth Rate and Money Growth



Trade Deficit, GDP Growth Rate and Money Growth



*Source: World Bank

2019 being the year before the Coronavirus pandemic took the world economy by storm is the most important part of this analysis. It set the precedent for what the world knew to be normal. In **2019**, Singapore led the way with a high positive trade balance of 28.74 followed by Switzerland with 11.85. Every other country witnessed a negative trade balance, the highest recorded being from the United States of America with -2.79. It is important to note that 2019 was the year of the general elections electing the head of state for India, Switzerland, and the United Kingdom. The shift of

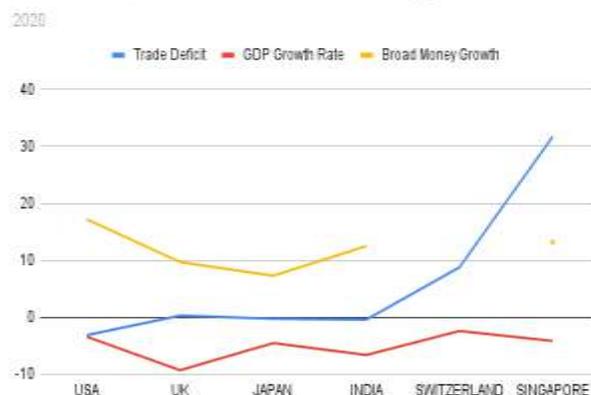
power could heavily influence the trade balance in the above-mentioned countries.

The GDP Growth Rate of all the countries excluding Japan witnessed a climb. India once again led the graph with 3.74% followed by the United States of America with 2.29%. From 2018 to 2019 we see a downward shift in the GDP Growth rate of all the countries with the exception of the United Kingdom. This was earlier attributed to a shift in the trade between the South Asian Countries and the West wherein the Western countries dramatically lowered their imports from the South Asian countries opting for homegrown substitutes instead. This decision affected the influx of money to the countries as portrayed by the Broad Money Growth Rate. India recorded the highest money growth rate attributed to its foreign remittances this figure was followed by the United States with 8.4%. These figures signaled the end of what we knew as the pre-pandemic era.

2020 winded up with a pandemic-led recession in most major economies. The year also witnessed a digital shift in the purchasing habits of consumers. 40% of India's payments are digital owing to the rise of UPI and its accessibility. Where most countries recorded a negative trade balance the Singapore economy showed a unique trait with a high of 31.71. It is important to note the United States held its Presidential elections in the year 2021 and as a global power, the shift in administration changed the trade dynamics worldwide. The GDP Growth rate of all countries recorded was negative owing to the pandemic, shutting down of trade borders, and import substitution among the West. The United Kingdom recorded the lowest with -9.27, which is however not a surprise given the economy's downward movement within the past 5 years. India which had previously led the graph with 3.74% fell to -6.6 contracting almost twice the percentage of the previous year. Switzerland had the highest growth rate at -2.39 owing to the precautionary measures taken right at the beginning of the year by FINMA. The United States witnessed a new influx of money into its economy with a 17.2% Broad Money Growth rate.

2020	Trade Deficit	GDP Growth Rate	Broad Money Growth
USA	-3.12	-3.4	17.2
UK	0.3	-9.27	9.7
JAPAN	-0.24	-4.51	7.3
INDIA	-0.39	-6.6	12.5
SWITZERLAND	8.79	-2.39	-
SINGAPORE	31.71	-4.14	13.2

Trade Deficit, GDP Growth Rate and Money growth rate



*Source: World Bank

It is of significance the decisions that all 6 countries took with respect to cryptocurrency in the years leading up to 2020. India which saw a relatively stable climb in terms of GDP and money growth suddenly went into a downward spiral with the economy forced to operate online. The risk-averse policy of the RBI proved to be a deterrent in the early stages of the pandemic year. The United States despite having a relatively liberal and regulated crypto market still saw extreme fluctuation owing to its political nature. Singapore and Switzerland are two countries that have shown consistent growth which can be attributed to their inclusive economy that welcomed cryptocurrency in its initial stages due to which the value of said economies hasn't dropped too low at large. Japan followed a Goldilocks policy keeping cryptocurrency legal however still imposes stringent legislation on the regulation of the crypto market and its providers.

9. Conclusion: Evolution of the Indian Economy and where it stands now

The Indian economy has undergone a huge transformation in the last 8 years, wherein we have become increasingly digitalized. A bigger push, albeit unintentional and forced, was undertaken during the Covid19 pandemic, and people thronged to seek employment through a new form of employment- the 'gig and platform' employment. Ministry of Labour and Employment, Government of India, has acknowledged this growing sector, that not only provides employment opportunities to the people but also accelerates growth and improves India's competitiveness in the global economy. However, being selectively progressive will prove to hinder our progress. History is a testament to the fact that increased government restriction can negatively affect growth and put a damper on its development (the 1991 crisis). The software boom of the 2000s was only possible due to limited government intervention in the sector.

India's conservative stance on cryptocurrency possession and trading, heavy taxation (30% at the time of transfers plus surcharge) and grey legislative stance on the sector actively dissuade people from participating in the crypto market. The ability to participate in alternate payment systems should not be prevented. Fears of money laundering and terror financing are relevant for all countries. The Financial Action Task Force (FATF), the global watchdog for money laundering and terror financing, and laws like the Prevention of Money Laundering Act are organisations dedicated to addressing such issues. Policymakers must strike a balance between fear and innovation. Banning cryptocurrencies, stablecoins and other digital payments will reduce the possibility of higher earnings for Indian households as rich countries see growth.

10. Citations

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