Even as there is no complete legal backing for cryptocurrencies, including Bitcoin, in India, they are gaining popularity in the country. Through a circular in 2020, the RBI had advised all the entities regulated by it not to deal with virtual currencies or provide services for facilitating any person or entity in dealing with settling them. However, the Supreme Court set aside the RBI circular on March 4, 2020. Since then, cryptocurrency has been one of the most talked-about investment options. But there are fears that the government may legally ban the virtual currencies being traded right now. Officially, the government does not consider cryptocurrencies as legal tender.

Replying to a query in the Rajya Sabha on December 2021, Finance Minister Nirmala Sitharaman said, “The Government does not consider crypto-currencies legal tender or coin and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system.”

The Finance Minister, however, said that the Government would explore the use of blockchain technology proactively for ushering in a digital economy. She said that a High-Level Inter-Ministerial Committee (IMC) has recommended that all private cryptocurrencies, except any cryptocurrency issued by the State, be prohibited in India. “The Government would take a decision on the recommendations of the IMC and the legislative proposal, if any, would be introduced in the Parliament following the due process,” Sitharaman said.

**Is it safe to invest in cryptocurrency from India?**

According to Nischal Shetty, CEO, WazirX; Bitcoin is a new alternative asset class. It has been around for over a decade and withstood two global recessions. Like gold, cryptocurrencies are seen as a hedge to protect fiat portfolio, and its value as a hedge lies in its inflation-beating qualities. Traditionally, investors used gold to hedge against stock volatility. But today, crypto is slowly emerging as a mainstream investment class especially among millennials. Moreover, buying Bitcoin is absolutely legal in India, there is no law prohibiting Indians from buying/selling cryptocurrencies in India.

It is true that it is not illegal to buy cryptocurrency in India. However, there is no legal guarantee of the safety of the invested amount like regular investment avenues.

Neeraj Dubey, Partner, Corporate Law Practice at Singh & Associates, thinks privately issued cryptocurrencies would not be safe.Section 26 of the RBI Act states that, ‘every banknote shall be legal tender at any place in India in payment or on account for the amount expressed therein, and shall be guaranteed by the Central Government’. The virtual currency is not guaranteed by the Central Government, so, in order for any virtual currency to be declared legal tender, it will have to be expressly guaranteed by the Central Government. In that case, parties are legally bound to accept it as a mode of payment. So I believe , privately issued cryptocurrencies would not be safe.

The government has cautioned people about the risks in dealing with virtual currencies stating that virtual currencies are not a valid legal tender in India and even made clear that virtual currencies do not have regulatory protection in India.The RBI had also cautioned about the potential financial, operational, customer protection and legal risks associated with virtual currency.

I have been a crypto-investor since last five months and even I think there is a real and heightened risk of investment bubble of the type seen in Ponzi schemes, which can result in sudden and prolonged crash exposing investors, especially retail consumers losing their hard-earned money. Consumers need to be alert and extremely cautious as to avoid getting trapped in such Ponzi schemes.

As per my views , some other risks to which cryptocurrencies may be exposed to include storage in an electronic/digital format which exposes them to the risks of hacking, loss of password, malware attack and many other risks that may further result into a permanent loss of money of the users.

Since these transactions take place online and are encrypted, they are also vulnerable to illegal and subversive activities such as terror-funding, smuggling, drug trafficking and other money-laundering Acts, which the user who has limited knowledge may or may not know about since these transactions are completely encrypted.

I strongly believe that over the next few months, we will see crypto go mainstream faster with more retail investors, and first-timers entering the market.

**Should you invest despite risks?**

As per my experience ,if you want to start investing in cryptocurrency even after knowing all the risks, I would suggest that as a first-timer in crypto, the most important thing you should bear in mind is that that crypto is a high risk, high reward investment option.

You should invest based on your risk appetite, after doing your due diligence on the project. I also recommend using legitimate exchanges that follow KYC and AML guidelines. Like any other industry, it’s important to beware of get-rich-quick scams or people who promise to double the invested amount, etc.

## Why cryptocurrency is becoming popular in India?

As per my views , the RBI ban was an under-researched and arbitrary move. Bitcoin is slowly emerging as a mainstream investment class especially among millennials. Majority of crypto-investment apps users are below 30 years of age. The youth is looking at crypto as an alternate investment option, and increasingly participating here. Bitcoin is labelled as digital gold by many, and is also seen as more superior to gold in several respects. It offers a high degree of accessibility, allowing anyone to send and receive Bitcoin in a permissionless way.

Bitcoin has generated a lot of curiosity amongst the youth in India. The support to the usage of cryptocurrency extended by the IAMAI has also been a major factor in securing popularity. Also the startup sector in India is particularly fond of cryptocurrencies since they facilitate cross border transactions with ease, which provides a lot of opportunities to small and medium enterprises to expand their presence across the global market.

Cryptocurrency is viewed as an asset which is underserved by the banking system and because of the factors like inherent security, lower transaction fees, lack of interference from the banking system, easy access and use, and universal recognition, it is gaining grounds in India despite consistent attempts of the government to ban it.

## What is the future of cryptocurrency in India?

As per my research, the regulators and governments have been sceptical about the virtual currencies and are apprehensive about the associated risks.However, the general crowd believes the future is exciting for cryptocurrency in India.

We’ve seen our Prime Minister talk positively about blockchain, and I’m positive that he’ll ensure the Indian youth doesn’t stay behind in this global phenomenon! Slowly, more and more people are becoming aware of crypto, and wanting to pursue a career in Blockchain. Positive regulations will give a big push to crypto adoption in India with more startups building projects on blockchain. With tech giants like JP Morgan, and Facebook jumping on the crypto bandwagon, within the next few years, crypto will become mainstream, and we’ll see more and more use-cases of crypto come to life. The future is exciting!