



IAS PARLIAMENT

Information is Empowering
A Shankar IAS Academy Initiative

Introducing India's own cryptocurrency

Why in news?

\n\n

The government is considering the possibility of introducing India's own cryptocurrency, code-named "Lakshmi".

\n\n

What is the need?

\n\n

- \n
 - Crypto-currency is a digital currency that allows transacting parties to remain anonymous while confirming the transaction is valid.
- \n
 - The provision of anonymity is widely misused especially in making cross-border transactions.
- \n
 - They are widely used as a means for money-laundering, terror funding and drug trafficking, and other illegal activities.
- \n
 - The increasing share and presence of bitcoins due to speculative trading for return on investments is getting to be a cause of concern.

\n

\n\n

How can legalising help address this?

\n\n

- \n
 - India's attempt to legalise and introduce its own cryptocurrency would give it the status of a fiat currency.
- \n
 - This formal government authorization could prove to be an alternative to

popular non-fiat cryptocurrencies such as bitcoin and ethereum.

\n

- “Lakshmi” would adopt a variation of the blockchain technology employed by bitcoin.
- The technology would help verify every trade and rule out the possibility of dual transactions employing the same coin.
- Also, the new currency would be subject to the same capital account controls as the rupee, in terms of cross-border transactions.
- The money supply at every instant is known and cannot be manipulated, unlike with normal fiat currencies.
- Besides, users would have to submit to the usual know-your-customer norms.

\n

\n\n

What are the challenges?

\n\n

\n

- The introduction of such a new cryptocurrency, would make it a legal tender alongside the rupee.
- This requires legislative action of making amendments to the Currency Act.
- Pegging it to rupee would have an impact on the rupee exchange rate along with the risk of fluctuations.

\n

\n\n

What is the way forward?

\n\n

\n

- India can consider legalising and regulating the existing popular bitcoin instead of introducing a new crypto-currency.
- Ex: Japan has recognised bitcoin as a legal currency, with anti-money laundering rules and capital requirements.
- Also, India can use GST as a tool to curb the frenzy over bitcoins by taxing their supply.

\n

\n

- Capital requirements, levy of GST on supply of bitcoins and income tax on the profits made are certain to reduce the speculative effect.

\n

- It is for the RBI, CBDT and GST Council to discuss and formulate and roll out a policy to deal with bitcoins effectively.

\n

\n\n

\n\n

Source: BusinessLine

\n\n

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative