THE FINANCIAL RISK ASSOCIATED WITH THE INVESTMENT IN DIGITAL MONEY: A STUDY IN TWIN CITY

Shameeha Tarafdar, KIIT School of Law

ABSTRACT

Since its inception in 2008, Cryptocurrency has gained a lot of popularity. Cryptocurrency is simply a kind of currency that exists virtually. It is transacted and saved through a technology called the block chain technology. Majority of investors regardless of their age and gender either are involved in crypto investments or are interested in investing in cryptocurrency. This research paper finds through a survey of residents of the twin cities of Cuttack and Bhubaneswar that almost everyone has knowledge about cryptocurrency and many of them are crypto investors. A majority of people do not support the tax policy of the government and feel that crypto investments should be encouraged by the state. People who either are crypto investors or are traditional assets investors, both of the category of people consider crypto investments more risky as compared to traditional assets. The findings of the study shows that people residing in such a developing state of Odisha know about crypto and are interested in investing in it.

Keywords: Cryptocurrency, Block chain, Bitcoin, Traditional asset, Digital currency

OBJECTIVES

- To find out the preference of traditional stock or crypto currency among the residents of the twin city.
- To find out the effect of government control on digital currency on investors in the twin city.

LITERATURE REVIEW

The viability of the new business model was foreseen and the new concept of the branch self-organising control system based on crypto currency if offered, including mechanisms that make the model attractive for both the consumer and the service provider[1]. Since Crypto assets have simple electronic storage and transferability, hence they pose a high chance of risk of money laundering because of which there is less preference for crypto currency[2]. Until date, out of many, Monero is considered to be one of the most popular crypto currencies. Its growing popularity is mostly because of its unique feature of privacy[3]. Block chain which was generated and used in cryptocurrency has been and is being applied in many ranges of applications due to its tough security, privacy and reliable features[4]. Governments have been taking different approaches to monitor and regulate the fledgling Distributed ledger technologies (DLT) provision arena such as block chain[5]. In recent years, the usage of crypto currencies has significantly increased in the modern financial world, in part because of the schemes' enduring promises of anonymity. Despite being the most widely used of all, it is argued that Bitcoin has serious flaws in terms of its privacy. The cryptography community has responded by suggesting alternative structures with improved anonymity claims after investigations revealed that many bitcoin transactions might be linked to the participants by the examination of publicly available data[6]. Because it can efficiently address the issue of transactional trust, block chain technology

[1] D Dimitrakiev & A V Molodchik, Digital platforms as factor transforming management models in businesses and industries, 1015 Journal of Physics: Conference Series 042040 (2018).
[2] Christoph Wronka, Money laundering through cryptocurrencies - analysis of the phenomenon and appropriate prevention measures, 25 Journal of Money Laundering Control 79–94 (2021).
[3] Kang Li et al., Practical range proof for cryptocurrency Monero with provable security, Information and Communications Security 255–262 (2018).
[4] Yehia Ibrahim Alzoubi, Ahmad Al-Ahmad & Hasan Kahtan, Blockchain technology as a fog computing security and privacy solution: An overview, 182 Computer Communications 129–152 (2022).
[5] Hans Jochen Scholl & Manuel Pedro Bolívar, Regulation as both enabler of technology use and global competitive tool: The Gibraltar case, 36 Government Information Quarterly 601–613 (2019).
[6] Niluka Amarasinghe, Xavier Boyen & Matthew McKague, The cryptographic complexity of anonymous coins: A systematic exploration, 5 Cryptography 10 (2021).

has attracted a lot of attention[7]. There has been a growing interest in the usage of crypto currencies in financial applications[8]. Since 2009, when bitcoin was created, private money has made a comeback on the global scene, providing its owner with the benefits of complete confidentiality. Following the lockdown brought on by the pandemic crisis in 2019, imitations quickly surfaced. While they do not share the same traits, they do combine increasingly sophisticated financial technologies[9]. Financial technologies are being used and abused by criminals for money laundering, extortion, fraud and financing of organised crime[10]. The People's Bank of China still views tokens and crypto currencies as illegal, and it has even started a campaign against miners and crypto currency exchanges. Initial Coin Offerings and the transfer of crypto currencies are also forbidden in Macau and Taiwan because of potential for money laundering involving residents of mainland China. Less stringent rules on digital financial assets have been implemented by Macau, Taiwan, and the Monetary Authority Hong Kong[11]. The main goal of the FAFT agenda during the US presidency was to stop criminals from misusing crypto currencies, which culminated in June 2019 with comprehensive expansion of international norms against money laundering over markets for virtual assets. This was similar to the first legislative provision the EU had passed a year earlier to control virtual currencies[12]. Due to its widespread acceptance as a viable substitute for traditional currencies and gold as a means of payment and exchange, crypto currency has been ingrained in practically all global financial activities. One of the most well liked and promising types of profitable investments today is the trading of crypto currencies. However, the extreme volatility and significant price swings that define this young and rapidly expanding financial industry. Therefore, it is thought that creating a forecasting model is crucial for portfolio management and optimization[13]. For a number of reasons, blockchain technology is still in demand. The biggest one that it has fostered the development of digital currencies over the past several years

---

[7] Lin Liu et al., A recursive reinforced blockchain performance evaluation and Improvement Architecture: Maximising diversity to improve scalability, International Journal of Communication Systems (2022).

[8] Andrea Flori, News and subjective beliefs: A bayesian approach to Bitcoin Investments, 50 Research in International Business and Finance 336–356 (2019).

[9] Paolo Savona, Prospects for reforming the money and Financial System, 33 Open Economies Review 187–195 (2021).

[10] Bruce Nikkel, Fintech forensics: Criminal Investigation and digital evidence in financial technologies, 33 Forensic Science International: Digital Investigation 200908 (2020).

[11] Aleksandr P. Alekseenko, Regulation of crypto assets in Mainland China, Hong Kong, Macau and Taiwan, 7 China and WTO Review 353–372 (2021).

[12] Valentina Covolo, The EU response to criminal misuse of cryptocurrencies: The young, already outdated 5th anti-money laundering directive, 28 European Journal of Crime, Criminal Law and Criminal Justice 217–251 (2020).

[13] Ioannis E. Livieris et al., A dropout weight-constrained recurrent neural network model for forecasting the price of major cryptocurrencies and CCI30 index, 13 Evolving Systems 85–100 (2021).

as well as numerous additional uses for fiat money[14]. We identify Bitcoin as a prospective market leader. Additionally, Wavelet Local Multiple Correlation estimates are made across several time scales for the supplied cryptocurrency prices. According to the findings, the link has an aperiodic cyclical structure, and fluctuations in the price of Bitcoin are what influence the values of crypto-currencies. Based on the findings, we propose that building a portfolio based on cryptocurrencies may be dangerous at this moment since the values of other cryptocurrencies are largely influenced by the price of Bitcoin, and any shocks in the latter are instantly translated to the former[15]. The essay examines the economics of cryptocurrencies, the hazards associated with using them to service economic turnover, and the effects of various potential legalisation choices. Cryptocurrency is seen as a substitute for fiat currency, a new type of fiduciary money with no basis in trust, and a tool for redistributing wealth across the country. Ponzi schemes are the primary means of crypto-currency existence. There are suggestions for mitigating the detrimental effects of cryptocurrency use on the economy and society[16]. According to this article, existing crypto currency models will not be able to supplement or completely replace fiat money. We demonstrate that currencies with a fixed quantity, such as bitcoin, are not supported by a "We Owe You" and have an intrinsically speculative and deflationary design. Because they are based on outmoded monetarist assumptions, stable coins, or coins that rely on variable supply designs, cannot attain price stability and are not supported by a "We Owe You." As a result, it falls short of modern methods of money production. Regarding price stability, we propose that (crypto) monetary policy should account for systematic coordinated wage bargaining mechanisms to reflect that businesses set prices in accordance with cost-based pricing rules in order to overcome the fictitious dichotomy between the real and the financial circuit[17]. Cryptocurrency is becoming increasingly prevalent in institutional investment managers' portfolios as a result of the financial market's increased attention to it. In order to increase the dependability of their investment products, this research therefore constitutes a ground-breaking study to explore the role of cryptocurrencies in PE business portfolios and variables impacting institutional investors' investment intention. Data were gathered from 253 investment managers from major

[14] Aleksandra Kuzior & Mariya Sira, A bibliometric analysis of blockchain technology research using VOSviewer, 14 Sustainability 8206 (2022).
[15] Christie Smith & Aaron Kumar, Crypto-currencies - an introduction to not-so-funny moneys, 32 Journal of Economic Surveys 1531–1559 (2018).
[16] Pawan Kumar et al., A block-chain excellency in the mining of crypto currency, 43 Journal of Information and Optimization Sciences 123–130 (2022).
[17] A. Yu. Simanovskiy, On the issue of crypto-currency economic nature, Voprosy Ekonomiki 132–142 (2018).

PE companies that had purchased and utilised cryptocurrency. The results point to innovativeness moderating effects on the links between investment intention and its antecedents in addition to its significant roles as drivers or drivers-of-interest. It shows that as long as the market can provide fast and accurate price change information to satisfy investors' price consciousness, price volatility does not reduce institutional investors' trust[18]. In recent years, digital money has emerged as some of the most crucial elements of a communication network. We use communication networking to use computers to surf the internet, make VoIP phone calls, participate in video conferences, and check email. To address the block chain and cryptocurrency difficulties in communication networking and offer appropriate solutions, several studies are being conducted. In order to present potential answers to the current issues in communication networking, a variety of unique research efforts have been proposed in this article, including methods, approaches, architectures, and frameworks. Thermal load capacity approaches, intelligent sensing mechanisms, secure cloud computing system communication algorithms for wearable healthcare systems, sentiment analysis, and optimal resources are some of the unique research strategies used in these projects[19]. The fact that currency networks are not centralised and instead involve a huge number of institutions and businesses makes it difficult to analyse them. However, in order for digital crypto currencies to function and give the chance for analysis of currency transactions, a public ledger is necessary. Using cryptography to safeguard transactions and regulate the generation of new units, a crypto currency is a kind of trade. In this essay, we examine Bitcoin and Litecoin, two well-known digital currencies. We create a network of transactions using the public ledger of transactions. By assessing the network properties, we look at the currency transaction network's structure[20]. Wearable healthcare computing system communication algorithm the crypto exchange market's annualised volume surpasses the trillion-dollar level. Official data are unknown due to the scattered and decentralised structure of this market, where each Crypto Asset trading platform functions as a separate dark pool and the information from private research is scarce[21]. Cryptocurrency's emergence in recent times has put the monopoly of paper money held by

[18] Yunsick Sung and Jong Hyuk Park (2019). Future Trends of Blockchain and Crypto Currency: Challenges, Opportunities, and Solutions. Journal of Information Processing Systems, 15(3), 457-463. DOI: 10.3745/JIPS.03.0115.

[19] Damodaran Appukuttan Nair, The bitcoin innovation, crypto currencies and the leviathan, 9 Innovation and Development 85–103 (2018).

[20] Manoj Kumar Popuri & Mehmet Hadi Gunes, Empirical analysis of crypto currencies, Studies in Computational Intelligence 281–292 (2016).

[21] Sabino Correa, Crypto governance: Analysing and comparing platforms for Crypto Assets Trading, 3 The Journal of The British Blockchain Association 1–7 (2020).

national central banks and their separate nations to the test. Digital currencies like Bitcoin have attempted to displace traditional money as a new and more democratic form of economic engagement from a decentralised notion of the economy. To determine if these new forms of economic trade truly offer a viable alternative to capitalism or whether they just revert to more traditional kinds of capitalist relations, it is crucial to compare them to Karl Marx's analysis in Das Kapital[22]. The concept of blockchain has attracted many users in these modern times, yet the idea and concepts of exposition is limited. This article is a basic case study, which implemented a platform to offer certain kind of benefits to the employees[23]. A reduction in cost of traditional financial intermediation was one of the main motivations cited by Satoshi Nakamoto in a 2008 proposal for "… an electronic payment system based on cryptographic proof instead of trust." To deal with artificially inflated transaction volumes, a number of cryptocurrency exchanges are developing into organisational businesses with law-of-one-price, settlement and clearing custody capabilities, and user procedures[24]. Blockchain technology is a revolutionary technology that is altering several facets of society, most notably the financial institutions and spawning a new crypto-economy. The general perception of the possibilities of decentralised public balance sheets is positive and laudatory. However, the majority of the modifications and cutting-edge effects of Blockchain technology are still unclear or unclear[25]. In the essay, the challenges of legal and regulatory control of a novel kind of electronic money called crypto currency are discussed. It has been established that there is no global consensus on the types and mechanisms of crypto currency regulation. In this article, current definitions of the term "crypto-currency" are examined. Based on these analyses, the need for a thorough scientific knowledge of crypto money is highlighted and justified. The study's findings led the authors to define the primary requirements for the legal regulation of the introduction and usage of cryptocurrency in payment systems[26].

---

[22] Online Media Coverage of Bitcoin Crypto-currency in Nigeria: A study of Selected Online Version of Leading Mainstream Newspapers in Nigeria, H-ermes. Journal of Communication http://dx.doi.org/10.1285/i22840753n12p141.

[23] Wenchi Ying, Suling Jia & Wenyu Du, Digital enablement of Blockchain: Evidence from HNA Group, 39 International Journal of Information Management 1–4 (2018).

[24] Argyris Gkogkidis et al., Implementing a blockchain infrastructure on top of vehicular ad hoc networks, Data Analytics: Paving the Way to Sustainable Urban Mobility 764–771 (2018).

[25] Soumaya I. Ben Dhaou & Ibrahim Kholilul Rohman, Everything and its opposite, Proceedings of the 11th International Conference on Theory and Practice of Electronic Governance (2018).

[26] PRASOLOV, Valeriy I., & KOLESNIKOVA, Anastasia S. (2018). Aspects of Crypto Currency's Legislative Regulation. Utopía Y Praxis Latinoamericana, 23(82), 262–268. https://doi.org/10.5281/zenodo.1509820

METHOD

The researchers have used the empirical method of data collection for collecting the data that would be required for the research paper. The researchers had circulated google forms among the residents of the twin cities i.e., Cuttack and Bhubaneswar in order to collect the data. There are some responses from outside the twin city as well. The total number of responses that were collected is around 110. Among this around 10- 15 are responses of people residing in other cities rather than in the twin cities. The data has been thoroughly studied and the findings have been noted down.

INTRODUCTION

Cryptocurrency and Its Working.

A form of currency that exists virtually and uses cryptography to secure transactions is known as Cryptocurrency. The main objective of Cryptocurrency was:

- Decentralising the control bodies
- Use of various cryptographic methods
- collective systematisation

Due to the involvement of encryption in transactions, it got its name as Cryptocurrency. Providing safety and security is the main aim of encryption. Founded in 2009, Bitcoin was the first cryptocurrency and remains the most widely used and known one. A large part of the interest in digital currencies is to exchange for profit, with examiners on occasion driving costs heavenward. Cryptocurrency runs on the block chain technology, a record of all transactions refreshed and held by money holders. The process of creating units of crypto currencies is called Mining. A crypto currency owner never holds anything tangible rather holds a key that allows to move a record or unit of measure from one person to another.

Cryptocurrency Registration and Licensing

Cryptocurrencies do not have any issuing or regulatory authority; rather use a decentralised system for recording transactions and for issuance of new units. At the first instance, a licence is not required for setting up and to operate a crypto currency exchange venture. The methodology to be gone through vigorously depends on the location that organisation will work from. However, there are some common requirements that needs to followed before setting up such as:-

- ID verification of the party establishing cryptocurrency
- Following of the anti- money laundering regulation and policies
- Partnership with a bank or financial institution

There are different kinds of crypto licences, such as one for transactions using cryptocurrency and the other for maintaining a wallet for cryptocurrency.

Cryptocurrencies and Taxes in India

The term Virtual Digital Assets (VDAs) was introduced into the Income Tax Act u/s. Section 2(47A) by the Income Tax Department. It covered all types of crypto assets such as cryptocurrencies, NFTs, etc. Section 115BBH was introduced by the Finance Ministry in the 2022 Budget. It charged a 30% tax plus extra surcharge and 4% cess on the profits that one individual would incur in cryptocurrency transactions made on or after April 1st 2022. The amount of tax was the same as the highest income Tax Bracket in India. This tax was applicable on every individual who was involved in crypto transactions regardless of the nature of income. Section 194S was another section that charged another 1% tax on all types of crypto transactions that exceeded Rs. 50000 in a financial year; this was adopted in order to track every crypto transaction.

Risks for Cryptocurrency Investors

The biggest advantage of using Cryptocurrency is that it is not regulated by any government or any bank, and this is the biggest disadvantage of cryptocurrencies. Due to the public ledger system, it is trustworthy but still it poses some kind of threat due to the decentralised nature of the cryptocurrencies. Some of the significant risks are:

1. **Volatile Nature.**

   The most volatile currency present out there are cryptocurrencies. Speculations fire up the crypto market with investors quickly buying and then quickly selling their assets as soon as there is a speculation of price drop. For example, Doge coin rose about 20000 times in early 2021 but had lost over a third value by May 2021.

2. Hack and Cyber theft.

The way of transacting cryptocurrencies is digital and it is held in online wallets and this lures the cyber criminals a lot. A number of phishing attacks are used by criminals to gain access to the wallets containing cryptocurrencies.

3. Decentralisation.

Due to having no regulatory authority and decentralised status of the cryptocurrencies, it poses another type of risk to these types of transactions. It becomes very difficult to track the correct entity in case of any transaction failures or issues. In addition, this even makes resolving the legal issues related to cryptocurrency transactions very difficult.

4. Risk involved in P2P transactions.

Cryptocurrency buyers and sellers are connected in a P2P marketplace for transactions. Because of the involvement of human factors in P2P transactions, there is always a risk of negligence or mistake that can finally lead to losing of assets.

5. Loss of Private Keys.

A pair of keys are required to make cryptocurrency transactions as they are built on a cryptographic system. One is a private key that is kept secret and is used for authentication and identification and the other one is a public key. When one person opens a crypto wallet, a private key is automatically generated. The loss of these keys results in the losing of access to the crypto wallet and subsequently the person loses the cryptocurrency.

6. Deregulation of trading platforms

There has been a boom of trading platforms after the popularity of cryptocurrencies and this has posed a difficulty for choosing the platform for transactions. However, due to the non-availability of regulatory authorities, there has been an increase in the number of these fake exchange platforms. Some platforms may also charge a huge amount of commission that makes withdrawals from these platforms nearly impossible.

7. **Government's unreasonable intervention.**

   There have been a lot of rules and regulations that have been imposed on the cryptocurrency users and there have been a lot of trials by governments in order to gain control on cryptocurrencies. There are even many governments who have declared cryptocurrencies illegal and consider them to be used for money laundering. Therefore, there is always a risk of crypto being declared at a sudden instance and people holding these currencies losing value.

Crypto Investment Risks Compared to Traditional Assets

In India, people generally look for investments involving higher return rates, even though traditional assets are available for investing, still many people choose to invest in cryptocurrencies as they generally yield higher returns, still they are more vulnerable as compared to traditional assets.

- Risk as compared to Stocks: Cryptocurrencies and stocks both have had their good and bad times, still due to the long dating history and less volatility of stocks; it becomes easy to predict the future of stocks. Due to the decentralised structure of cryptocurrencies, it becomes a more risky investment. There are even no assumptions of losing any keys or the stocks being destroyed.

- Risk as compared to Bonds: Bonds are generally loans that a person gives to any financial institution or government and subsequently, that government or the financial institution is in debt to that person. The investor earns an interest on passage of time and then the government or financial institution returns back the money. These are one of the most secured types of asset to be invested in.

- Risk as compared to Forex: Investors who are interested in investing in foreign currencies are generally attracted to Forex. Investors can expect positive returns from Forex if they invested in the foreign currency of such a country with a good economy.

Research of an investor before investing is the most important aspect of Forex investment.

- Risk as compared to Fixed Deposits: The main advantage of FDs is that they are supported by the government. A FD of long-term investment is most advantageous and yields good results. FDs are the most secure type of investment and do not require any extra effort on mining. The crypto investors need to provide their time and attention and have to keep a close watch on the cryptocurrency they have invested in due to the uncertainty of the market, but FD investments can be forgotten until maturity.

Legal Risk and Foreign Bank Account Regulations for Cryptocurrency Investors

Due to rapid increase among people about crypto currency, the proportionality of legal implications regarding its regulation has also become a need of the hour due to its unsettled state. The lack of authority which is centralised is the biggest legal and financial risk of any investor. Then comes the way in which the central authorities initiate taxes in the holdings. In countries like the U.S., the cryptocurrencies are referred to as property which enables the capital gain tax laws to come into play for profits and even their annual tax returns, regardless where the coins are bought. In January 2022, federal law made it clear that it does not view crypto as a "reportable account." IRS Form 8938, known as FATCA, is the tax agency's version of FinCEN's FBAR. Taxpayers with substantial assets in foreign accounts are required to file this Statement of Specified Foreign Financial Assets as well as the FBAR. Potential risk factor is also one of the great draws of cryptocurrencies as in being decentralised. Fraud and money laundering have become common among criminal organisations, as the assurance in case of traditional victims is totally different from the digital investors of Crypto.

Cryptocurrency Decentralised Status

Decentralisation is not exactly a new concept; it is basically the transferring of the control given at the central level to that of a network that is distributed. This decentralisation in the mode of crypto reduces trust of all the participants, which makes the place in one way an ability to keep and exert authority on one another without knowing one another. Although decentralised networks are frequently used in block chain technology, a block chain software itself cannot be labelled as either decentralised or not. Instead, decentralisation should indeed be applied among all facets of a block chain programme and is a sliding scale. Greater and more equitable service can be accomplished by decentralising an application's utilisation and access. Decentralisation frequently has certain drawbacks, such as decreased transaction throughput, but in an ideal world, these drawbacks are justified by the gains in reliability and levels of service they bring about.

The Digital Security Issue

Due to the variation in the situations of various participants each individual's problem is unique, hence an individual who is qualified enough must be there to consult them before making any kind of final financial decision as each of the assets is important in one way or the other. Investors have so far not been able to completely eliminate the legal risks associated with owning cryptocurrencies, and it is likely that they never will.

Risk of Crypto Ban

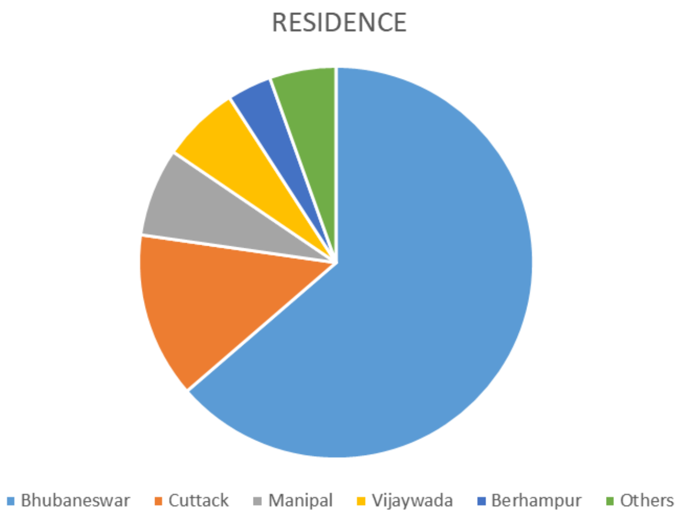
The RBI forbade banks from doing business with crypto currency exchanges in 2018, which caused a huge influx of consumers looking to sell their crypto currencies at exchanges. Within a few months, the investors had to withdraw their money. Many people who desired to keep their cryptocurrency did so by moving it to foreign exchanges with more lenient crypto-laws. More lately, crypto currency has been making news for all the wrong reasons, including the sharp price decline, client losses as result of large crypto hedge funds and exchanges like Vauld stopping withdrawals because of unfavourable market conditions. Investors are anticipated to be given permission to withdraw their money or transfer it to other physical wallets in the case of a ban as well. The government's claims are ultimately, where responsibility lies. Cryptography no longer poses an existential danger thanks to favourable regulation and acceptance by nations like the United States, Singapore, UAE and Switzerland. Therefore, the crypto market is unlikely to be significantly affected by a ban on India. Even without favourable regulations, the market does not price them in. On the other hand, India has much to lose when it comes to one of the most exciting trends of the coming decade- a trend where Indians have an advantage thanks to their prowess in technological innovation. By 2030, it is predicted that this sector will provide $137 million in tax revenue and more than 800000 new jobs. Without a proactive approach to crypto in the upcoming years, there is a lot to lose in the case of ban.

Risk for Investors' Money if Crypto is Banned in India

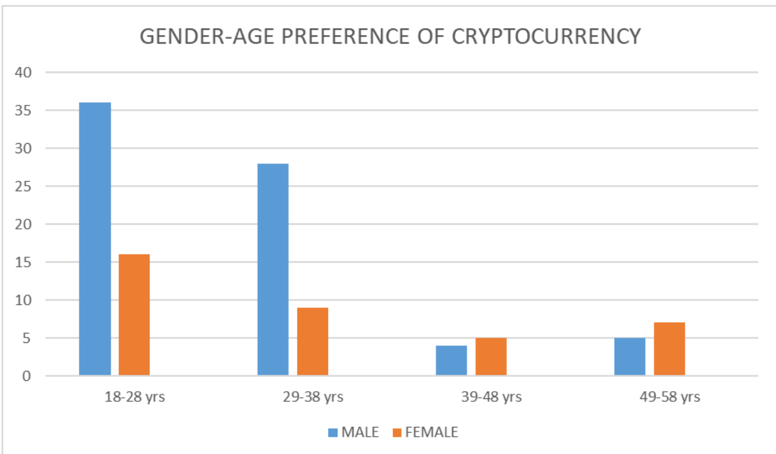
In 2021, 54% of Indian investors jumped on the crypto currency bandwagon and 40% of Indian investors aimed to buy crypto currencies as a hedge against inflation, according to a survey by the crypto currency exchange Gemini. Crypto currencies once seemed like a profitable investment, but this year's market collapse has left exchanges like Coinbade, Vauld etc. under legal and financial scrutiny even as they limit withdrawals to reduce losses.

The founder of a law consultancy firm named Finlaw predicted that if crypto currencies were made illegal by the government, banks and crypto currency exchanges would stop exchanging money. P. M. Mishra said that, "you won't be able to purchase crypto currency using local cash" and "you won't be able to cash them in".

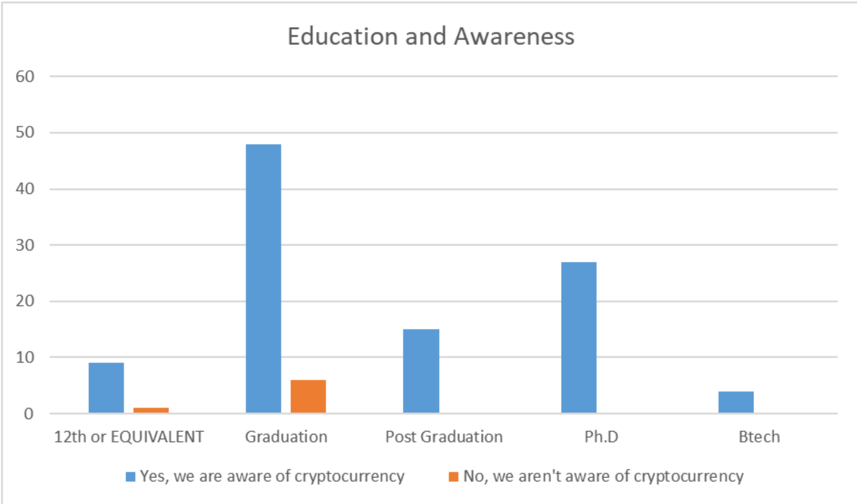
EMPIRICAL FINDINGS



The majority of responses were collected from the residents of Bhubaneswar and Cuttack, there were a few responses collected from the residents of other places such as Manipal, Vijayawada, etc.



This graph shows the gender and age wise preference of cryptocurrency by the residents from whom the responses were recorded. Majority of the females in the age group of 39-48 years and 49- 58 years prefer crypto more, whereas in the age group of 18-28 years and 29-38 years, majority of males prefer cryptocurrencies.



This graph shows the data of the educational qualification of the people from whom the responses were recorded and how many of them have awareness about cryptocurrency. The people, who are either post- graduates, or PhD holders or BTech degree holders, all of them have awareness about cryptocurrency. Almost all persons who have studied till 12th standard or equivalent or are graduates are also having knowledge about cryptocurrency, a few among them do know about crypto.

RESULT ANALYSIS AND DISCUSSIONS

Cryptocurrency is now not being considered to be a new investment option. It has gained a lot of popularity and is considered one of the first choices for investors, amid the risk of being declared illegal and a spontaneous ban. The reason for the huge popularity of crypto is the instant return it provides upon investment. Still there are few people who are unaware about crypto currencies and there are some investors who consider traditional assets to be more profitable as compared to cryptocurrencies. Upon enquiring about Cryptocurrency, their pros and cons, preference over traditional assets, etc to both investors and non- investors of the twin cities of Cuttack and Bhubaneswar there were mixed opinions that were recorded. Some responses have also been received from residents of outside the twin city and they also have mixed feelings about cryptocurrencies.

Almost everyone knows about Cryptocurrency

When enquired about the knowledge and awareness of Cryptocurrency, it was found that regardless of the age and educational qualification, almost every individual has the knowledge what cryptocurrency is.

- Between the age group of 49-58 years, regardless of the gender, everyone is aware about cryptocurrency. Among this age group, almost everyone is a graduate and very less have done post- graduation and everyone is doing a private service. Television, newspaper have served as a main source of information for the awareness of people of this age group. The secondary sources are either social media or YouTube. This shows the popularity of cryptocurrency and the publicity it has received that has made the people of this particular age group aware.

- Between the age group of 39-48 years, almost everyone is aware of cryptocurrency. However, in this age group, the number of people who have done post-graduation has increased as compared to the previous age group; still the number of graduates is higher. Friends and magazines have served to be the secondary source of information, whereas crypto information from their own children is the primary source of information about crypto for the people of this age group. Some people are unaware about cryptocurrency and they state that, since no one has advised them about the same, they have no knowledge of what cryptocurrency is.

- In the age group of 29-38 years, maximum people are PhD holders and postgraduates and the number of graduates are less. Almost everyone in this particular age group knows what cryptocurrencies are. The major source of information of cryptocurrency for the people of this age group are investor friends, news and internet. Financial influencers and YouTube are the secondary source of information for the people of this age group. For some people, newspapers are the source of awareness as well.

- In the age group of 18-29 years, around 80 people know what cryptocurrency is and the rest 20 percent have no idea about crypto. YouTube, internet and research papers are the main sources of information for the people of this age group. Some people came to know about cryptocurrency through memes, whereas some people came to know about it through social media. The reason why around 20 percent people of this age group do not know about cryptocurrencies is that, some say that they never had a chance to learn about crypto, whereas some say due to lack of interest.

The summary that can be drawn out from the records is that, people of more age have interest in cryptocurrency and know about it if compared to people of the lower age. Newspapers, YouTube and social media have served to be an important source of information for the people for their crypto knowledge. Regardless of the gender, age and other factors, the people of the twin city know about cryptocurrencies.

Traditional Assets vs Cryptocurrency

Investors in India generally are attracted towards investing in assets that would provide more returns in less time. Much before the arrival of crypto currencies, traditional assets such as stocks and bonds were in the lime light. They are still considered to be less risky as compared to crypto assets since the government overlooks them. The only disadvantage of traditional assets as compared to crypto is that the return period is generally higher as compared to crypto currency. This particular thing was enquired to know if the people of the twin city are investors either in traditional assets or in cryptocurrency and according to them, which one is more risky.

- The people in the age group of 49-58 years have knowledge about what cryptocurrency is, but none of them are crypto investors. A few people are investors in traditional assets, but none of them favours crypto for investment. Almost all of them are aware of the risk that is involved in crypto investment and this particular reason and lack of more knowledge about investment are the reason why none of them is a crypto investor. Nevertheless, one thing that is found in this age group is that, all the people consider cryptocurrency to be more risky as compared to traditional assets.

- Among the people in the age group 39-48 years, who have awareness about cryptocurrency, none of them are crypto investors, although the majority of them have investments in traditional assets. Some of the traditional asset investors, who are also postgraduates, say that they might not be crypto investors now, but they might invest in the future. Majority of them are aware of the risks involved in investing in cryptocurrencies and this still remains the major reason for non- investment in cryptocurrencies. Some say that due to lack of knowledge, they are not into crypto investments. People in this age group also consider crypto investments to be more risky than investing in traditional assets.

- In the age group of 29-38 years, around 90 percent of people are investors in traditional assets. Some people do not have any investment and some of the people are also crypto investors. Some non- investors as well as traditional asset investors speculate to invest in cryptocurrency in future. Almost all the people in this age group are aware of the risks involved in investing in cryptocurrency and all the people, including crypto investors as well, consider cryptocurrency to be more risky than traditional assets. The reason why some people are not interested in investing in cryptocurrency is that they have very little interest in this type of investment and some also say that lack of funds has posed as an obstacle for their investment in cryptocurrency.

- Around 50 percent of the people present in this age group of 18-28 years are investors in traditional assets and 50 percent are non- investors. Although some traditional asset investors have shown interest in investing in cryptocurrency in the future, all the non- investors have shown no interest in investing in cryptocurrency. Majority of the people in this age group are aware of the risk involved in investing in crypto, but there are also some who do not know about the risk of investing in crypto. Almost all the people, basically the traditional assets investors consider cryptocurrency to be more risky, but there are some people who even consider investment in traditional assets to be riskier and these people are non- investors. The reason why people are not investing in crypto in this age group is because of the huge amount of risk involved as well as due to lack of funds. Some even do not invest looking at the recent market crashes.

Regardless of any age, the people in the twin city are not risk lovers. This is the main conclusion that can be drawn from the responses recorded. Even though the majority of them have awareness about what cryptocurrency is, none of them is a crypto investor. Majority of the people are aware of the risk involved in cryptocurrency, and this is the main reason for not investing in cryptocurrency. When compared with traditional assets, all the traditional asset investors as well as non- investors considered cryptocurrency to be more riskier than traditional assets. Although some of the non- investors considered traditional assets to be more risky.

Opinion on Govt. Intervention, Taxes and Crypto Ban

Before 2022, there were no particular views of the Indian Government on classification of Crypto Assets and imposing tax on them, but in the Annual Budget of 2022, the Income Tax Department classified Crypto assets to be Virtual Digital Assets (VDA) and also imposed tax on them. The ITD imposed a 30% tax on profits that an individual would incur by selling, trading or spending crypto assets. Along with that 1%, TDS tax was also imposed on the sale of crypto assets, which exceeded more than Rs. 50,000 in one financial year. There are also chances that crypto might be banned by the government or the government controlling it. There were mixed opinions recorded by the residents of the twin city when asked about if the taxes levied were justified or not and how crypto ban would impact them.

- Majority of the people in the age group of 49- 58 years, supported the tax that was levied by the government while some people said that lieving tax is fine but felt that 30 percent was too high and should be reduced. There were some people who felt that tax collection on transactions would help the government. When asked whether crypto should be banned and how the ban would affect them, their reply was that the majority did not want crypto to be banned. The reason why they did not want crypto to be banned was that they felt that now- a - days; everyone is interested in making their money grow and crypto was a good way to do that. Contradictory opinions were also recorded by some people who felt that no one should be involved in making easy money and wanted crypto to be banned. A few people also said that banning crypto would be wrong as they felt that post- pandemic, digital currency has come a long way and that cryptocurrencies were very encouraging. They wanted the government to regulate the transactions and other aspects of cryptocurrency as that would also reduce the amount of risk involved and that would attract more investors to invest in crypto.

- In the age group of 39- 48 years, a small number of people stated that the tax levied by the government was ‘crazy’ while some considered the 30 percent to be on the higher side and opinionated that it should be reduced. On enquiring about if crypto should be banned or not and if banned, how would it impact them, all of them said that it would impact them in no way and that since crypto is not under any control, it involves a huge amount of risk and it should be banned. A major number of people who are also traditional assets investors also said that they would be ‘happy’ if crypto would be banned. In addition, some people were there who opined that crypto should be controlled by the government rather than totally banning it and declaring it illegal.

- People in the age group of 29- 38 years, had very different views as compared to people of other age groups. Many people, regardless of the fact if they are investors or not, appreciated the fact of the government lieving tax of 30 percent on crypto transactions. They considered it to be a good call by the government and suggested that it would protect people from being trapped into lucrative (yet risky) investment. They considered crypto to be ultra-volatile and that it would attract a lot of 'black investors'. Some people also considered that this tax should be reduced and that reduced tax would attract more people to invest as these are secured and that it would also help the government to stop illegal and fraud transactions. The most interesting thing is that no one in this age group opined that tax imposition should be totally stopped. When asked about the ban, no one supported the ban of cryptocurrency. Majority of the people stated that crypto should not be banned, as some of them were crypto investors and feared that they might lose the money they have invested in digital currency and they even considered crypto investment to be a way of earning for unemployed people. They stated that if the government decides to ban, it should give ample amount of time before banning rather than suddenly putting a ban on it. Some people also opined that rather than banning crypto, the government should have a fair amount of control over it, which will make the currency more reliable and trustworthy. Even the non- investors opined that crypto should not be banned, as some of them would also consider investing in it in future.

- Looking upon the opinions of the young residents of the twin city, the people in the 19-28 years age group, they considered the tax policy of the government to be 'very bad' and 'not fair'. Their view was already that crypto are risky assets and imposing such a huge amount of tax of 30 percent would force people not to invest in these assets. They considered the investors take the risk of investment and the government is simply taking a proportionate part of the profit made by the investor and framed this policy to be 'totally unfair' and 'unacceptable' and said that it would be 'painful' for the investor to give away 30 percent of the assets. Some also said that, since the platform is a free platform, no tax should be imposed on such investments. Although a few people considered this tax policy as 'very good' and some said that it should be the decision of the government to frame rules regarding crypto investments. Commenting about the risk of crypto getting banned, around 60 percent of people said against the ban of crypto and their main reasoning for this was many of them were planning to invest in cryptocurrencies in the future and that banning would pose a problem for them while investing. Some coined that maximum investments in the country is around crypto currencies and crypto assets, banning them would cause people a huge loss. A number of people also considered that rather than banning crypto currency, the state should have a control on cryptocurrency as they felt that banning the digital currency would mainly impact the young investors in this post covid era. Some also considered that the ban would impact everyone as it would largely impact the country's capital market. But there were some people who considered that crypto to be banned as they had no plans of investment and were against investing in digital currencies and stated that if crypto is banned, it would have 'no impact' on them.

The basic summary that could be drawn from the responses record is that a majority of the residents are against the tax levied by the government and considered that this should be stopped. Some even stated that if the government wishes to impose tax on crypto transactions, it should not be as high as 30 percent and should be reduced. But still there were some people who were in support of the tax policy of the government. Regardless of the age, almost everyone was against the ban of cryptocurrency by the government. Some have plans to invest in the future while some are present investors and stated that the ban would impose huge losses and problems for them and that in a way would demotivate people to invest in digital currencies and it would affect the economy of the country. But a few people wanted that crypto should be banned as they considered that crypto is a way of making easy money and no one should indulge in this and since some of them were non- investors, banning crypto would have no impact on them.

CONCLUSION

Cryptocurrencies, specifically the Bitcoin offers a very interesting and effective way of payment methods, which could possibly boost companies and operators revenues. To buy, sell, transfer and exchange easily, it provides an alternative method of payment rather than paying by real money, UPI, etc. From the above analysis, it could be clearly observed that cryptocurrency has not gained much trust yet but if regulated properly with low tax policies and more security, the people of the twin cities are ready to be crypto investors, which can bring changes that are more valuable to the e-Business and e-Payment sector. Until and unless it is secure and controlled, there will be certain challenges and issues to be faced by the users. Hence, they need to take proper measures of using such vital money. From the above data and analysis, we could conclude that the lack of legislation regarding crypto is the most concerning factor in the whole cryptocurrency system. The RBI is silent on the status of regulation of Bitcoin, which perhaps is of great concern since many of India's citizens and industries have grown around Bitcoins and other crypto currencies including traders, exchanges and merchants. By the end of this discussion, it is prominent that crypto currencies have already gained wide acceptance around the world including India and the twin cities; hence, banning them totally should not be an option since it may cause financial loss as well as huge disturbance in the economy. Instead, there must be some legislation, proper regulations and investments encouraged by the state regarding crypto. Better results would be achieved if it were done sooner.

REFERENCE

- What is cryptocurrency and how does it work?
- Cryptocurrency licence: Baltic Legal Blockchain.
- Crypto Tax India: Ultimate Guide 2022 | Koinly
- The 9 Biggest Risks for Crypto Investors (Both Beginners and Veterans)