

Agpaytech's Research  
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# Cryptocurrency

*How are Indian investors and the Government  
responding to this disruptive form  
of digital money?*

Agpaytech



# Executive Summary

The market for cryptocurrency in India is in a very nascent stage. The crypto-trading platforms that have recently established themselves in the country follow the most secure and transparent best practices. According to Chain analysis, India ranked 2nd in the Global crypto adoption index, followed by Vietnam and Pakistan. Indian Blockchain start-ups and emerging technologies are indeed getting indulged in cryptocurrency. The Indian blockchain industry is fast becoming the backbone of the crypto market. In the context of cryptocurrency, once the transaction data is entered into the blockchain network, it becomes immutable. Even the system administrator cannot make any alterations, thereby giving the owners a sense of security and transparency in this form of currency. The distributed ledger technology further makes this entire process very democratic. It is further anticipated that the addition of more traders will bolster the cryptocurrency market and usher in more significant adoption numbers.

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# Introduction

Crypto trading platforms have gained increasing popularity in India. Given the surety and certainty around the crypto market in India, it has quickly become the most funded blockchain sector in India to date. More than 20 million people globally have adopted the crypto trend in the last year, wherein a significant number of investors hailed from India. As of 2022, Indians hold crypto assets worth \$5.3 billion (India Tech.org). The crypto market can broadly be categorised into two segments:

1. Miners
2. Investors

Minors contribute to a growing market for computer hardware, especially the Graphic Processing Units (GPU) that add muscle power to a computer's computing capability.

Investors contribute to the market cap and opportunities for multiple investment platforms and global and local trading platforms that are now establishing themselves in the country. This development generates additional employment and contributes to the GDP.

Major players operating in the Indian Cryptocurrency market include Intel Corporation India Private Limited, NVIDIA Corporation (GPU sellers), Unocoin, BitGo, and Coinbase (trading platforms). The companies are developing advanced technologies and launching new products to stay competitive and relevant in this fast-evolving space.

# Crypto Trading Platform in India

The demand for digital assets in India is rising exponentially. Millions of people have registered and opened trading accounts with several cryptocurrency exchanges in India, and now the ecosystem needs a significantly robust security mechanism. Internet and Mobile Association of India (IAMAI) opines that India's Government has not banned cryptocurrency; on the contrary, it is creating a robust tool to develop a reliable ecosystem. This endeavour will help lead the financial revolution and contribute to India's growth. India has considered a high rise in digital assets and cryptocurrency that will generate jobs across various functions such as legal, compliance, tech, marketing, business development, and finance.

Currently, the crypto community consists of over 10 million crypto holders holding over \$ 1 billion worth of crypto assets. More than 300 start-ups generate tens of thousands of jobs and contribute to millions in revenue and taxes annually. According to IAMAI, the current daily volume ranges between \$ 350 million-\$500 million.

Table 1: Cryptocurrency Trading Platforms in India

Trading platforms	Features	Pros	Cons
WazirX	Smart widgets for the home screen, market and order tracker, intelligent order forms, fast withdrawal.	WaZirX is a Binance company, best payment methods available, High Security.	No fingerprint option available. High bank transfer charges.
Bitbns	Available on both Android and iOS, Borrow and lend feature in the app, easy to use interface, multiple security layers.	Mobikik wallet allowed. A credit card can be used through Mobikwik, Clean and simple UI, Fixed Income plan.	Slow support system, Inaccurate market charts at times.
Unocoin	Supports both iOS and Android, Intuitive dashboard, INR wallet, inbuilt crypto exchange, and wallet services.	No maker or taker fee, Debit/Credit card deposits accepted, Fingerprint lock, Faster customer support.	High trading fee. The minimum deposit is INR 1000
Zebpay	Clutter-free interface, premium charting, trade and watch market on the same screen, offers stress-free trading experience.	Straightforward app interface, Fingerprint and pin security, lightweight app.	Only fundamental features included monthly membership fee.
CoinDCX	Android and iOS, app available. Live price alerts, track orders and investments, smart dashboard, simple and easy to use.	Limitless trading options Video tutorials No withdrawal fees.	Deposit problems are reported at times.
Binance App India	Supports iOS and Android and trade over 200 coins, live price notifications and superior interface.	Binance Academy app for teaching investors Auto notification about your holdings, advanced charting.	Can be a bit tedious for beginners.
CoinSwichKuber	Cleaner interface, live notifications passcode, iOS, and Android versions	Free for first 100k users Simple to use interface Over 100 altcoins available to trade	Login issuers reported Slow customer support

Source: Agpaytech Research

# Domestic Cryptocurrency Market

There is an estimate that the cryptocurrency tech market in India will have an added economic value of US\$184 billion by 2030. Multiple Indian industries have started leveraging blockchain technology for a seamless payment process using cryptocurrencies. According to a domestic cryptocurrency market survey, a significant number of respondents that work in different industries, especially those in the Information Technology and Education sector, have demonstrated tremendous interest in cryptocurrency. Hereunder is a chart that reflects the percentage of interest in another industry.



Table 2: Domestic cryptocurrency market size in India

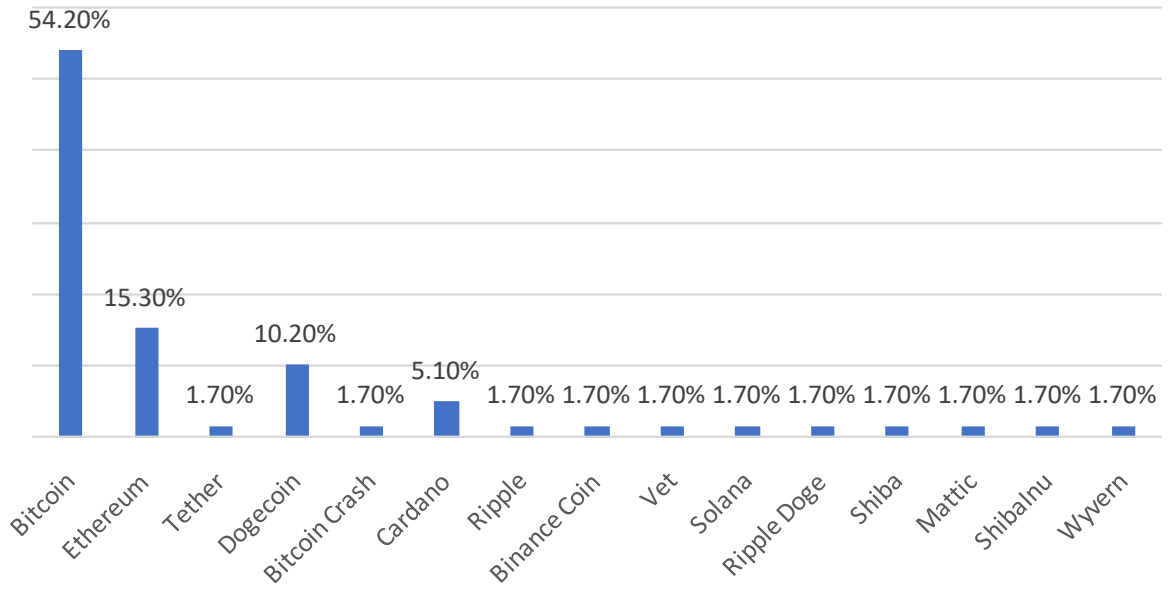
Information Technology and Software	24.7%
Business	12.3%
Banking, Finance, and Insurance	9.9%
Education	23.5%
HealthCare	1.2%
Automobile	1.2%
Engineering	1.2%
House	1.2%
Medical and Industrial Gas	1.2%
Housewife	1.2%
Food	1.2%
Market Research	1.2%
Other	1.2%
Students	2.5%
Construction	1.2%
Agriculture	1.2%

Source: Survey Analytics Insight(2022)

According to the report, more than 60 per cent of states in India are emerging as crypto-tech adopters. With over 15 million retail investors, the industry is increasingly attracting new start-ups. Approximately two hundred and thirty start-ups have set up shop in the crypto-tech space. The popularity of Bitcoin fuels this trend, further accelerated by concepts such as Smart Contracts, Decentralized Finance and Non-Fungible Tokens. The rise of crypto-tech capital and Central Bank Digital Currencies will be able to indulge the adoption of crypto-tech in India.



Figure 1. Rising demand on multiple cryptocurrencies



Source: Analytics Insight

# Challenges of the Indian Crypto Market

Although many investors are flocking to the crypto market, very few are aware of the technology. One of the significant challenges facing the cryptocurrency market is its instability. It has the potential to be used for illegal activities like terrorist funding activities, facilitating narcotic activities, and being used in transactions in the black market and dark web. The Indian Government has taken some steps toward clarifying its position on cryptocurrencies. It is soon expected to table the crypto bill in the Parliament. It is working on laws to restrict cryptocurrency use and trade. Consequently, RBI might find significant grounds to ban cryptocurrency activities in India.

Some of the reasons that present significant challenges and cloud the chances of regulators supporting cryptocurrencies are as follows:

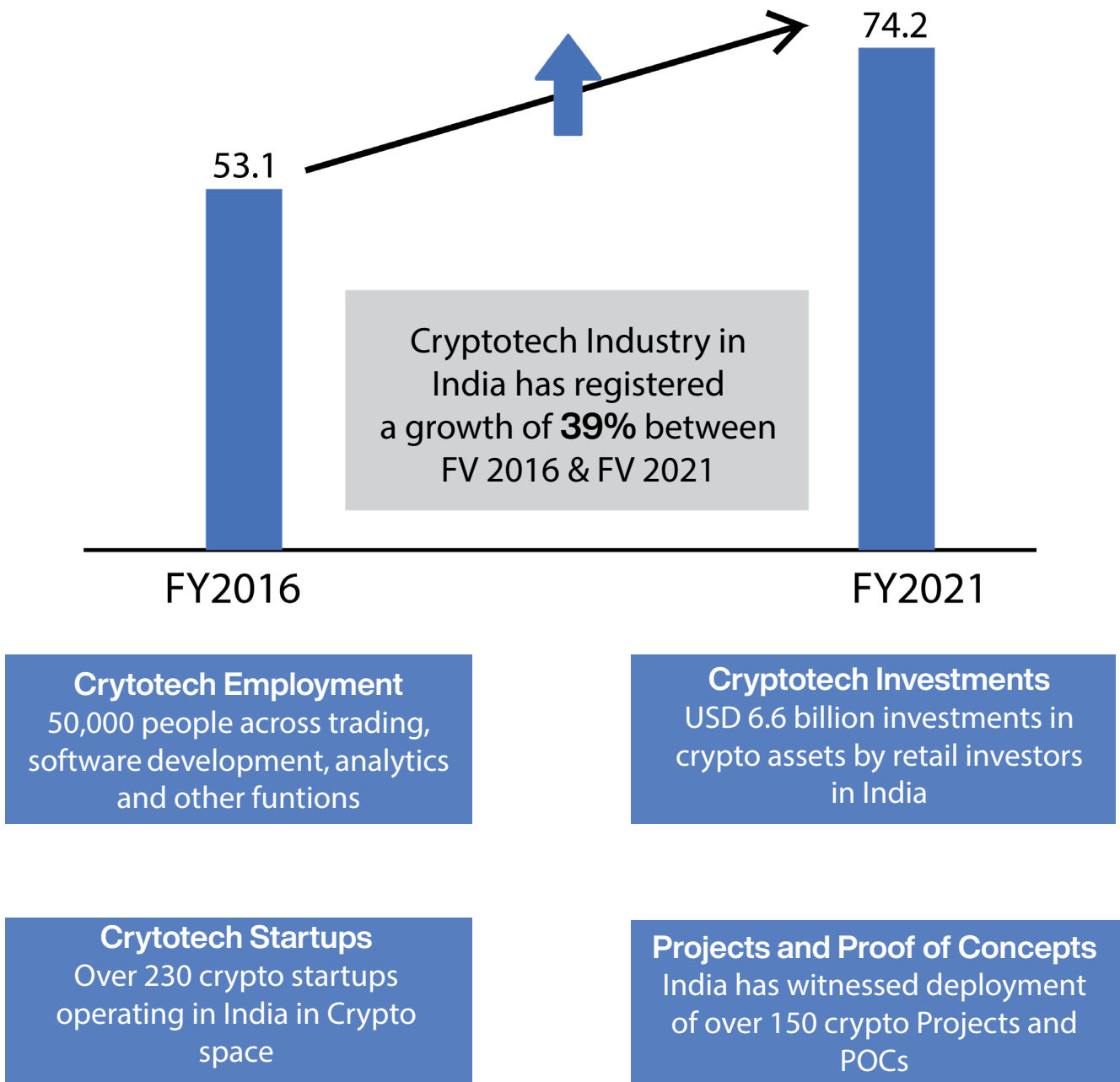
- There is no individual, agency, or organisation responsible for its value; it is pure speculation.
- There is no control over the crypto transaction or activities as it is decentralised.
- There is no third-party involvement like banks to regulate the transactions.
- Fear of losing the significance of Fiat currency and banking system.
- Protection of people's interests to ensure the security of their money

## Adoption of the Cryptocurrency

Over the past few years, the Indian financial market's evolution has been equivalent to a renaissance for the country. With an ever-increasing use of the internet and access to web services, Cryptocurrency will not remain a new concept for long. Bitcoin and altcoins will find widespread adoption after receiving greater clarity from the Government via the Crypto bill. Some business houses began to accept payment by the mode of Bitcoin. In Worli, Mumbai, a small pizza place became the first restaurant to take payment through Bitcoin. Gradually, cryptocurrency started gaining popularity in the Indian market, wherein pioneers like Unocoin and BtexIndia started to offer cryptocurrency transactions and exchanges. India has now more than 10.07 Cr. crypto owners.

According to the National Association of Software and Services Companies (NASSCOM), in association with WazirX, the crypto-tech industry in India has grown 39% over the past five years. India's retail investors have invested \$6.6 billion in crypto assets, which is estimated to increase to \$15.6 billion by 2030. NASSCOM further stated that in India crypto industry would have created an economic value addition of \$184 billion in the form of investments and cost savings.

Figure 2: Indian Crypto tech Industry Market Size, in USD Million.



Source: NASSCOM



# Regulatory framework in India

The Government opines that cryptocurrency is to be treated as an asset class. Currently, it is not illegal to buy or sell it in India. Crypto assets have now been brought under the Government's tax framework and are treated in the same category as winning from horse races or other speculative transactions.

Therefore, the Government has worked on classifying cryptocurrency as goods or services under the Goods and Service Tax laws. Tax can be levied on the entire value of transactions. Apart from that, India will charge a tax of 30% on income from cryptocurrencies and other digital assets. This legislation brings cryptocurrencies and non-fungible tokens (NFTs) into the country's highest tax band.

Mrs Nirmala Sitharaman - the Current Minister of Finance, Government of India, states the losses arising from the sale of cryptocurrencies could not be offset against other income, delivering another disincentive to trading and investment in digital assets.

The finance minister also said that the central bank would introduce a digital currency using blockchain and other supporting technology in the next financial year.

# Conclusion

In the context of cryptocurrency, a lot of clarity is required in this domain. Although cryptocurrency is not illegal in India, the Government is not very supportive of its adaption. It is in the process of framing new laws to bring regulation to this sector. The policymakers are reticent because they did not find any relevant use case that makes a solid case favouring cryptocurrency. Much clarity is expected with the tabling of the crypto bill soon when the Government tables it in the Parliament.

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# About Agpaytech

Agpaytech is a company pioneering in the Fintech Space with a focused approach on building robust technologies for eCommerce Card Processing Solution for Payment Service Providers (PSPs). Additionally, we provide Compliance and Regulatory Umbrella, Remittance-as-a-Service White-Label Solution, Foreign Exchange, Cross Border Payments, digital currency technology. We have partnered with multiple banks, non-banking financial institutions, and corporate organizations to create a solid service delivery model for them and their customers to ease their international remittances and payments concerns.

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