

Cryptocurrencies in India: Explosive Growth

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Summary

India has taken giant strides in trading in cryptocurrencies. Young technology-empowered Indians, bullish on long-term prospects of cryptocurrencies, are fuelling this drive. Upcoming regulations and introduction of a sovereign digital currency will influence future growth.

India is riding high on cryptocurrencies with exponential increase in trading in these currencies and their ownership. Some of the key facts on the cryptocurrency boom in India are as follows.

- There are around [10 crore \(100 million\) crypto owners in India](#). This makes it the country with the largest crypto owners in the world followed by the United States ([US] 2.7 crore or 27 million), Russia (1.7 crore or 17 million) and Nigeria (1.3 crore or 13 million). The high incidence of crypto owners in India is evident from their number being more than thrice that of the US and nearly six times that of Russia.
- As a proportion of the national population, [more than seven per cent people in India are crypto owners](#). This is the fifth largest per capita crypto share in the world, after Ukraine (12.7 per cent), Russia (11.9 per cent), Kenya (8.5 per cent) and the US (8.3 per cent). The rapid rise in crypto trade and ownership of digital currencies in India is expected to accelerate the national per capita share of crypto owners in the foreseeable future.
- High crypto ownership and trade in digital currencies in India is driven by its relatively [young population and users from the Tier 2 and Tier 3 cities](#) of the country. Furthermore, investments in crypto currencies have increased phenomenally after the outbreak of the COVID-19 pandemic. Estimates point to private investment in crypto currencies having grown [by more than 400 per cent during April 2020- May 2021](#).

Various factors are contributing to the rapid traction that cryptocurrencies have gained in India. The interesting aspect in this regard is that the growth in crypto ownership and trading is taking place notwithstanding the regulative ambiguity about private digital currencies in India.

Private cryptocurrencies have not been encouraged in India. The Reserve Bank of India had discouraged their trade and circulation. The Supreme Court subsequently overturned the restriction. The resumption of trading in cryptocurrencies from March 2020 coincided with the outbreak of the COVID-19 pandemic in India. Since then, cryptocurrency platforms, such as *CoinSwitchKuber* and *WazirX* have been experiencing brisk business. Subscribers to these platforms have been rising rapidly as they offer easy access to digital currencies. The

subscriptions have kept rising despite the lack of clarity over whether cryptocurrencies – such as bitcoin and the others – will be allowed to be invested in and traded unrestrictedly in the future.

The young and digitally empowered crypto owners in India appear confident over the prospects of their assets. Regulatory ambiguity has not been able to constrain their risk-taking appetites. In this respect, the trend in India is not different from the rest of the world, particularly Asian markets such as Ukraine, Vietnam, the Philippines, Pakistan and Malaysia, where various cryptocurrencies are flourishing. The phenomenal pace at which global cryptocurrencies are expanding might have given Indian crypto owners confidence in the bright prospects of these currencies as the financial asset class for the future.

The COVID-19 pandemic has led to a weakening of the value of currencies of most emerging markets against the American dollar and the Euro. Paper currency markets, including in India, have been experiencing these trends. In face of such weakening of national currencies, cryptocurrencies present good alternatives as assets that can yield good returns in future. As a result, the tendency to substitute digital currencies for the paper ones and investing in them for benefitting from the robust trade in these, has been strong in India. Besides, cryptocurrencies enable participation in global cross-border transactions with great ease, which has been another factor behind the crypto drive in India.

Two factors will influence the future pace of growth of cryptocurrencies in India. The first of these is obviously the regulatory framework. Regulatory tightening of trade in private cryptocurrencies, particularly on grounds of avoiding volatility and the possibility of these currencies enabling fraudulent activities, might act as deterrents to the current growth being experienced by the industry. The second factor is the progress on the introduction of a sovereign digital currency by India. The introduction of a national digital currency backed by sovereign guarantee might force choices in favour of the former.

Ideally though, a harmonious coexistence between state-backed and private currencies should be the way forward on digital currencies in India as that would encourage stability of cryptocurrencies as an asset class and expand investment and trading choices of users.

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