

G25-3

The monetary policy of India must prepare and anticipate for challenges posed by crypto currencies. Evaluate.

The crypto currency market in India is exploding having 15 million investors. The market is projected to reach \$240 million by 2030.

challenges by Crypto currencies

As they are not regulated their buying and selling are opaque. The investors are also not protected for their investments

There could be a chance of currency competition if crypto is continued without any regulations.

Tweaking the monetary Policy

Surplus money from crypto trading can enter the system and can affect the inflation rates. Banks support inflation

creates by fractional banking unlike crypto.

The increase in deposit in crypto could reduce bank's deposit which in turn affects credit generation. It could also affect the priority sector lending.

In an extreme event if crypto yields high return and low inflation than fiat money the government currency can lose out here.

The FEMA act, RBI act have to be amended in the case of converting from INR to \$. Onshore mining could also lead to capital account volatility.

way forward

The Central Economic intelligence bureau has recommended 18% GST on Bitcoin transactions. Also, the recent Central Bank digital currency move has gained momentum in the digital currency market.