

# Online Payment Opportunities With Reference To Paypal & Bitcoin

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## **ABSTRACT:**

Digital currency has many benefits that make it a better option than traditional currencies. Digital currency uses decentralization of information, which results in less fraud. This is not possible with fiat currencies because personal information and chargebacks are required for transactions. With PayPal, you can pay for an item securely and without hidden fees. If the purchase turns out to be a scam, PayPal is able to refund your money, and in turn, keep financial information secure. Bitcoin (BTCUSD) is often referred to as a form of digital currency that allows you to receive rewards without interference from central banks. Similarly, Bitcoin is designed to be a hugely beneficial innovation in the future, and it has vast benefits beyond drawbacks. Bitcoin is accessible and versatile currency that can be transferred in minutes. Bitcoin brings an innovation to payment systems, and this could fuel new innovations. A shortcoming of Bitcoin is that it's not widely accepted; nevertheless, there are many online stores accepting bitcoin nowadays. This paper explores the concept of the PayPal and Bitcoin, the opportunities we have using them and legal issues associated with them are also examined.

**Keywords:** Bitcoin, Cryptocurrency, Decentralized currency, PayPal, Digital Currency

## **I. INTRODUCTION**

The internet has grown and expanded in recent years, with the increased accessibility of data and the progression of smartphones and online payments. The most popular form of payment is cash on delivery, a new way to collect sensitive information on consumers. E-payment is convenient due to the various opportunities for financial transactions it provides. Cash is less common, but there's been a question about how safe it is.<sup>1</sup>

Digital payments are an automatic process. Buyers and sellers use digital modes to send or receive money and avoid visiting their banks. One example of an electronic payment is using a card. This will have an important influence on the purchase as the buyer can choose from a range of ways to make payments that are suitable for them thanks to the availability of different payment modes in many smart devices. Due to consumers being able to shop online, many retailers have incentives for paying with electronic formats such as digital wallets and electronic payment methods. Electronic wallets reduce the handling of cash and hard currency among the retailers, and it also enables the nation to eventually go cashless.

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<sup>1</sup> Jain, M. S. (2018) *A study on usage of ePayments for sustainable growth of online business*, Met.edu, IOSR Journal of Business and Management (IOSR-JBM), e-ISSN: 2278-487X, p-ISSN: 2319-7668, pp 74-81

E-commerce is growing rapidly, and also provides opportunity for businesses to further increase sales. Every company that deals with e-commerce has reflected on new ways to make more money from it, and decisions such as adopting a new currency. E-commerce created financial opportunities that were not adequately served by the traditional payment system. There are many benefits for a business deciding to adopt new electronic payments systems. E-payment systems are popular for transactions between buyers and sellers on the internet. They provide benefits, such as faster payouts, also better tracking, the transparent transactions and further reduced transaction time. These days, people use electronic payment systems for their transactions. These systems involve financial transactions, such as those made at ATM machines and with credit or debit cards, or through online banking or mobile banking. E-payments result in considerable cost savings on paper-based payments. Many financial risks can occur when conducting transactions online. With these risks, there are many systems that have been created to ensure a secure transaction. Technologies such as electronic payments and reception of goods, or the proof of the transactions which is then authorized by customers to both of the sellers and the bank, customer privacy and also the transactional data security are required in order to facilitate online transactions. The financial risks that are associated with buying things online will always be present for some cases, but the development of new technologies has helped to increase security for hard earned money.<sup>2</sup>

An investigation was conducted by Sujith and Julie, in which they did a study on electronic payments. They found that there are many opportunities and challenges in this field; for example, e-payment systems can expand digital payment to areas with less access to traditional banking structures, as well as increase the number of digital payments.<sup>3</sup>

The author of the cited article, Abhishek Shukla, investigated how electronic payment systems could be improved. Shukla's goal was to identify the existing issues and also the challenges of these systems, as well as offer some solutions for increasing their quality.<sup>4</sup>

Preeti Garg and Manvi Panchal created a study on India's introduction to the cashless economy with benefits and challenges. Preliminary findings show that there is potential for cashless economy to combat counterfeiting, illegal intimidation, and money laundering. There also needs to be plans for upgrading digital infrastructure to ensure that it is effective for everyone.<sup>5</sup>

“Vidya Shree DV, Yamuna N. and Nitua Shree G focuses on how the new digital payment systems affect clients. The research found that, individuals are mindful of online payments through mobile apps and the rate of development has increased. The research found that Paytm, Pay U Money is providing simple payment structures, but digital payment systems offer more features.”<sup>6</sup>

These are various types of Online payment options which are available in India and some of them are listed below,

- Banking cards are a time saving option for people to make their banking transactions. They offer a more convenient and secure transaction than any other type of payment.

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<sup>2</sup> Fatonah, S., Yulandari, A. and Wibowo, F. W. (2018) “A review of E-payment system in E-commerce,” *Journal of physics. Conference series*, 1140, p. 012033.

<sup>3</sup> Sujith T S, Julie C D “Opportunities and Challenges of E-Payment System in India”, *International Journal of Scientific Research and Management (IJSRM)*, 2017

<sup>4</sup> Mamta, Prof. Hariom Tyagi and Dr. Abhishek Shukla “The Study of Electronic Payment Systems”. *International Journal of Advanced Research in Computer Science and Software Engineering*, 2016.

<sup>5</sup> Preeti Garg and Manvi Panchal the article entitled “Study on Introduction of Cashless Economy in India 2016: Benefits & Challenge”s”. *IOSR Journal of Business and Management (IOSR-JBM)*, 2016.

<sup>6</sup> Vidya Shree DV, Yamuna N. and Nitua Shree G “A Study on new Dynamics in Digital Payment System - with special reference to Paytm and Pay U Money”, *International Journal of Applied Research 2015; 1(10): 1002-1005*

- Adhar enabled Payment system: The AEPS is the bank mandated payment system that allows for fast transaction of money through PoS systems, or Bank Mitras.
- UPI is a new payment system that allows multiple bank accounts to be merged into a single mobile application. UPI can be used in order to transfer the money, also to receive money and even make bill payments. It has been gaining popularity in India because the customers can easily send or receive payments without having to write their beneficiary's account number every time. The customer will also have access to their transaction history and all payments made with UPI will be quick and easy<sup>7</sup>
- There many kinds of mobile wallets, each which have different features. If a customer signs into one of these apps and links their debit or credit card to it, they can access their digital money with any payment terminal.
- Online banking allows customers to have access to their accounts online through a certain bank's website and carry out transactions.
- National Electronic Funds Transfer is a system providing funds transfer for all of India, from any bank to any individual. The system does have limits, with an upper limit of Rs.50000 and restrict the use to working days only.<sup>8</sup>
- RTGS are used for settling funds transfers which are performed individually on the order-by-order basis. 'Real Time' implies that there is no delay in the processing of the instructions, which is processed at the time by which they are received rather than at the some of the later time. Payments are final and irreversible because they are processed in the Reserve Bank of India's books. Customers send up to Rs 2 lakh (~\$2,500 USD) or more with RTGS and have no limit. Payments can be processed during banking hours, allowing customers to transfer surpluses to their bank account during business hours.
- ECS is an alternative payment method as it allows you to make payments online. Online payments can be made for various utility bills, insurance, and loans.
- Immediate Payment Service (IMPS): IMPS offers instant, round-the-clock transactions across India that are safe and cost effective.
- Mobile banking: The concept of Mobile banking is a special application offered by banks for customers with Android or Windows phones. Banks provide their own App.

## II. PAYPAL

PayPal makes online transactions safe and secure by using rules on how to pay for things online. PayPal is a company that allows shoppers to buy online without linking their bank account. PayPal divides the transaction between your bank and the store you're purchasing from and fills in as a middleman. Your information stays safe because PayPal encrypts it, and PayPal is free for personal accounts. PayPal offers the online payments, debit card services, credit card readers for the small merchants, and also for the lines of the credit. PayPal offers services to both personal consumers and businesses. They provide a range of services all around the world. They have specific platforms to cater towards their clientele, making it quick, easy, efficient and fast to do tasks.<sup>9</sup>

PayPal Account Verification checks all the information in order to make sure the person connecting his or her PayPal account is the rightful owner. PayPal allows account holders to transfer funds using an email address or a mobile phone number. Transfers are then completed

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<sup>7</sup> Malusare, Lalita. (2021). Digital Payments Methods in India: A study of Problems and Prospects. International Journal of Scientific Research & Management Studies., volume: 03 Issue: 08.

<sup>8</sup> Malusare, Lalita. (2021). Digital Payments Methods in India: A study of Problems and Prospects. International Journal of Scientific Research & Management Studies., volume: 03 Issue: 08.

<sup>9</sup> Kagan, J. (2008) PayPal, Investopedia. Available at: <https://www.investopedia.com/terms/p/paypal.asp>

within minutes and also the company promises that payments are available for withdrawal or payment on the same day. PayPal also provides businesses with a range of solutions. You can use PayPal to accept payments, manage business operations, or even get credit or financing options. To start using PayPal, you must provide an email address.<sup>10</sup>

### **History of PayPal**

PayPal's history began with its establishment in 1998. PayPal grew under eBay's umbrella and was accepted by many merchants before the acquisition. "PayPal has successfully been growing its reach in different countries by adding 10 currencies to its platform, including the Singapore dollar and the Swiss franc in 2006. While, in 2007 PayPal obtained an EU banking license, which gives them more access into different EU countries. By this point, PayPal had a total of 35 million customers in Europe with 15 million in the UK. PayPal, in 2006, moved their headquarters to Luxembourg. They wanted a more significant presence in Europe. Later in the year, they partnered with Mastercard to allow customers to pay via PayPal on MasterCard websites where they couldn't be used".<sup>11</sup>

In 2008, PayPal was able to buy out Bill Me Later for 1.1 billion dollars, boosting their presence as the world's leading digital payments platform. PayPal has expanded over the years and now supports iPhones, Android devices, and newer currencies. In 2011, they started processing 4 billion mobile payments and in 2013 paid \$27 billion. They broke ties with eBay to become an independent company in 2015. PayPal will be the payment option for eBay shoppers until July 2023.

"In May 2018, PayPal announced a major purchase of Swedish company, iZettle. The takeover comes less than three weeks after iZettle said it would list shares in Stockholm. PayPal will now have an in-store presence in 11 markets across Europe and Latin America. Per shortly after iZettle was bought out, PayPal purchased Hyperwallet for \$400M to help with e-commerce transactions globally".

PayPal has been experiencing some difficulties, but their network is strong. As PayPal gains more users, the service becomes more necessary for retailers to use, so PayPal can maintain its profits.<sup>12</sup>

### **PayPal Fees**

PayPal charges transaction rates and fees for online payments. The company offers region specific market fee summaries on their site and the U.S. has a range of rates and fees that are assessed to merchants and consumers. PayPal, a publicly-traded for-profit business, earns revenue by charging fees. The company uses the revenues from fees to maintain a high level of service and pay employees. PayPal's shareholders are generally rewarded by their stake in the increased stock price when revenue from the fees decreases quarterly. PayPal charges different fees depending on who you are (e.g., consumer or merchant), the currency you're paying in, and who is receiving the currency. Exchange rates differ on each item, and we do not include the topic of conversion rates, as they can change depending the country. There are different PayPal fees based on the payment option that you select. Different rates may apply if you buy something internationally, or if you are handling a transaction in cryptocurrency. For customers living in the same country and for transactions less than \$99, PayPal does not charge any fee.<sup>13</sup>

### **PayPal Competitors**

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<sup>10</sup> Kagan, J. (2008) PayPal, Investopedia. Available at: <https://www.investopedia.com/terms/p/paypal.asp>

<sup>11</sup> PayPal. "History & Facts." <https://about.pypl.com/who-we-are/history-and-facts/default.aspx> Accessed Oct. 29, 2021.

<sup>12</sup> Richter, B. (2018) PayPal history: looking back at the milestones, Electronic Payments International. Available at: <https://www.electronicpaymentsinternational.com/news/paypal-history-milestones/>

<sup>13</sup> Cook, B. (2021) "A complete list of PayPal fees for consumers & merchants," *Tipalti*, 13 December. Available at: <https://tipalti.com/paypal-fees/>

There are many competitors to PayPal; Square, Stripe, and Google Pay. Stripe and Square are more competitive than PayPal because they have lower rates and smaller fees. PayPal, Stripe and Square are all relatively comparable in price. Fees for PayPal range from 1.55% to 2.9%, a cost that can seem significant at first but becomes very manageable if you have a large volume of daily transactions.

You need to explore the benefits of each before deciding between them. PayPal makes it easy for customers to pay without any hassle. This can lead to more sales, which means more money for your business. With Google Pay there are no fees to use the service, and in cases where the customer is using their bank account a transaction fee charged by credit card providers will apply.<sup>14</sup>

### **Online payment opportunities with PayPal**

With many banking digital transactions on the rise, PayPal has been incorporated into this trend for nearly two decades. The online payment service is accepted by all stores, and can be accessed with a mobile app or browser to make payments anywhere. With PayPal, you can pay for your online purchases in basic steps; just click the symbol and follow the instructions on the screen. PayPal is accepted in many places, and you can use it to order food or purchase products as a form of payment. You can even use PayPal to do things like ordering a cab or requesting help with your Netflix account.

PayPal offers a loyalty program for those who use its services regularly, which allows you to accumulate rewards and cashbacks. Every time you use PayPal in a transaction, your credit card is automatically credited with points that can be spent later. Loyalty cards can be used for this service.<sup>15</sup>

PayPal Credit can be used just like a credit card, but you don't have a physical one. You use your PayPal balance on the card and you can use it anywhere that accepts PayPal. If you pay in full every month, there are no interest fees, but this isn't usually the case. It should be called a Venmo debit card because that's how it works more than a credit card.

PayPal Cash is an account of the funds you have that you attached PayPal. With it, you can transfer money to your external bank by clicking a single button when someone sends you money through PayPal. You can also use your funds to make purchases via PayPal, in some cases and pay with Google Pay or Samsung Pay, without having to worry about connecting to your bank account.

### **Legal Issues with PayPal**

PayPal has their own business model, and it has created a few questions when it comes to the legality of this system in certain areas. "From reading the PayPal business operation model, any person that is even slightly familiar with commercial law would ask the question of whether or not what PayPal does is similar to a credit institution. This person would be right in posing such a question as there appears to be a clear similarity between how PayPal operates and the functions performed by a bank. As defined by the Directive 94/19/EC, a deposit is a credit balance that results from funds entered into an account and which the credit institution must pay back. However, as defined in the UK's RAO, a deposit may be either money on account or funds with a person carrying on the business of banking."<sup>16</sup>

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<sup>14</sup> Grigg, B. A. (2019) PayPal rates and fees for small businesses, NerdWallet. Available at: <https://www.nerdwallet.com/article/small-business/paypal-fees>

<sup>15</sup> Miller, D. (2021) What is PayPal and what are the pros and cons?, RocketHQ.com. Rocket HQ. Available at: <https://www.rockethq.com/learn/personal-finances/what-is-paypal>

<sup>16</sup> González, A.G. (2005), PayPal and eBay: The legal implications of the C2Electronic commerce model, 18th BILETA Conference: Controlling Information in the Online Environment

“(a) money received by way of deposit is lent to others; or(b) any other activity of the person accepting the deposit is financed wholly, or to a material extent, out of the capital of or interest on money received by way of deposit.”

This means that banks are prevented from lending money they receive by way of deposit, which could be as little as a single dollar.

There is an interesting conundrum in PayPal’s argument. Although they claim not to use the money in their customers’ accounts towards their operating expenses, they are clearly a financial institution because they meet other requirements by holding money and not distributing to creditors in bankruptcy.

Bank accounts are not to be confused with PayPal, the online money-transfer service, because only third parties deposit money into this account and it does not lend out or store money. It does not appear that the first assumption is correct because employees who deposit large amounts of money into people’s bank accounts may be third parties.<sup>17</sup>

### III. BITCOIN

Bitcoin is a digital currency. It doesn't require regulatory oversight or banks to operate smoothly. Bitcoin relies on internet and cryptography to improve its security strength. “A public ledger records all bitcoin transactions. Copies of the transactions are held on servers set up by owners. These servers, known as nodes, agree on who owns what coins through cryptography rather than relying on a central bank for trust.”

“Every transaction is publicly broadcast to the network and then shared with the other nodes in that system. The miners collect these transactions and add them into what’s called a block, which is added permanently to the blockchain. This account book of bitcoin is made permanent. You can access your virtual currency from a range of different types of software and tools, some online and some in a physical form.”<sup>18</sup>

Bitcoins can now be subdivided by seven decimal places, a thousandth of a bitcoin is known as a milli and a hundred millionth of a bitcoin is known as a Satoshi.” A private key is used to prove the ownership of digital funds. Simply memorizing this key would allow you access and spend those funds anonymously, in essence creating a “brain wallet.”

#### Working of Bitcoin

Bitcoin is way more than just a cryptocurrency. In fact, there are several ecosystems of blockchain-based cryptocurrencies that are all working on the internet today. Bitcoin was the first one which made online currencies possible, so it's massively important to understand how it works.

A blockchain is like a database that is accessible by many people and it has the "protection" of a safeguard against unauthorized changes. The Bitcoin blockchain is the database of the transactions, those which are secured by the process of encryption and are also validated by peers. Transactions on the blockchain are not stored in one place, but on multiple systems across the network. These systems are called nodes. Every node also has the copy of the blockchain, and then every copy is further updated whenever there is any of the change to the list of the transactions.<sup>19</sup>

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<sup>17</sup> González, A.G. (2005), PayPal and eBay: The legal implications of the C2Electronic commerce model, 18th BILETA Conference: Controlling Information in the Online Environment

<sup>18</sup> Sparkes, M. (2020) “What is bitcoin and how does it work?,” New scientist , Available at: <https://www.newscientist.com/definition/bitcoin/>

<sup>19</sup> Floyd, D. (2017) How Bitcoin works, Investopedia. Available at: <https://www.investopedia.com/news/how-bitcoin-works/>

To understand the blockchain, first learn about blocks. Blocks store data about transactions and other blocks, as well as addresses, and also hold the code that executes transactions. Blockchain can be used to store large amounts of data and is accessed by the opening of blocks. Blocks on blockchain stores 256-bit number that records information. Queued transactions are added to blocks, which are then closed. This creates a chain of blocks, one after the other. Blocks can't be changed because each one is connected to the next one before it. Mining provides validation and opens up blocks.

### **Bitcoin Mining**

Mining is a process which verifies transactions and creates new blocks on the blockchain. It's done with specialized machines called Application Specific Integrated Circuits, which run software program designed to mine. People use the hash for mining. They need the number that matches the block hash, so they randomly create a hash each time and then see if it is a match for the original one. This causes their program to keep guessing. These hashes come at different rates and allow people to produce them every second. In order for a transaction to be processed, it must be verified by the miners. They compete with one another to complete this task first, and the miner that does will receive a bitcoin reward.

By mining blocks, miners assemble a group of transactions and then apply cryptography to verify the validity of those transactions. In return, they are rewarded with new bitcoin. Bitcoin has a hard limit of 21 million coins, and there will never be more in existence. "Every four years, the bitcoin software makes it twice as hard to mine bitcoin by reducing the size of the rewards." When bitcoin originally launched, it had a higher mining value and could be obtained quickly with basic systems. Unlike other cryptocurrencies, bitcoin is mined using a complex process that relies on expensive graphics cards.

Bitcoin miners are in charge of choosing which transactions to bundle into a block, and those who bundle them get an incentive. When all Bitcoin has been mined, fees will be added to compensate the miners for their actions. This compensation is necessary because it ensures the infrastructure of the Bitcoin network.

### **History of Bitcoin**

Bitcoin's price has fluctuated significantly since 2008, and in 2021 it is worth tens of thousands of dollars. Bitcoin began as a humble cryptocurrency that has had a difficult journey, but it will be worth millions by 2040.

Bitcoin is a decentralized currency that can be used to send money from one person to another without the use of banks or intermediaries. Bitcoin was created as a way to allow individuals to transact with one another without relying on the government or banks.<sup>20</sup>

The current world's most popular cryptocurrency is Bitcoin. Although Bitcoin isn't perfect, advocates see it as a possible replacement for physical cash, and corporate investors are optimistic about the promising developments that have been made since Bitcoin's inception. The crypto also has inspired the development of thousands of other cryptocurrencies.

Bitcoin was created in 2008 by Satoshi Nakamoto as a reaction to the financial chaos of the Great Recession. Bitcoin is a decentralized digital currency not controlled by any government. Bitcoin was introduced as a way to transact without using third-party banks and other institutions. This is accomplished by use of cryptographic proof rather than relying on third-party sources. The blockchain was first developed on Jan. 3, 2009, when the first block was mined and the genesis bracket created. It would not take long for the first economic transaction to take place when a Florida man ordered two Papa John's pizzas at 10,000 BTC on May 22, 2010. This date is now called Pizza Day; it is celebrated annually by

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<sup>20</sup> Likos Paulina and Hicks Coryanne (2022) , "The History of Bitcoin, the First Cryptocurrency Bitcoin transformed the way we think about money. But how did it get its start?", U.S. News

cryptocurrency fans around the world. Bitcoin miners created Ethereum and Litecoin in 2011, improving the code behind Bitcoin's blockchain.

As Bitcoin became more popular, it became easier to buy and sell. In 2010, Bitcoin was legalized in El Salvador alongside the dollar. One of the unique characteristics about Bitcoin is its variance. Since it's an emerging asset, it carries with it much speculation. Despite the fluctuations, Bitcoin's price has increased since 2009.<sup>21</sup>

Bitcoin crossed the \$1 threshold for the first time in February 2011. By June of that year, it had reached a peak of \$31 before collapsing to below \$10 once again. In 2013, it hit another peak at just under \$1,000 before plummeting in price by 2018. Bitcoin reached a maximum price of \$100,000 in November 2021 after falling to a low of \$0. After two years, it was worth more than twice as much as it did when it started.

“In 2017, Bitcoin was thought to be in a bubble with investors paying a premium to own Bitcoin. Furo states that the 2017-2018 bubble was led by a boom in initial coin offerings, or ICOs. According to some market veterans, the Bitcoin bubble is similar to the internet boom at the end of the 20th century”.

Everyone was talking about Bitcoin, even the wealthiest hedge fund managers. The craze over ICO's brought billions of dollars into the crypto space. Investors faced uncertainty and lost faith in cryptocurrencies that plunged the price dramatically within a few days.

A more mature market has emerged around the cryptocurrency since Bitcoin's fall in value. New, big names in financial services such as Fidelity are entering the field of crypto-custody who offer a safe place for these digital assets that were not there before. The Bitcoin market has garnered a lot of attention from investors, and exchanges can handle the trading needs of its customers.

Bitcoin's value has changed so much over time, that if you had bought one in 2017 for about \$3,000, its worth would now be almost twice as much.

### **Online payment opportunities with Bitcoin**

There are many benefits to Bitcoin, such as lower transaction fees and faster processing. It's especially useful for international transfers, though the potential has improved with new technology like the Lightning Network. Anyone can use it--including those without a bank account.

Bitcoin is a leading cryptocurrency that offers many benefits to its users.

Bitcoin has autonomous user transactions: - “Banks are vulnerable to boom-and-bust cycles in the economy. Any of these situations can result in crashes, which leaves users without autonomy. Bitcoin is not linked to any government policies, meaning that users/owners have control over their money.”<sup>22</sup>

Bitcoin transactions are private: - Online transactions can be expensive and slow because they require verification across several parties and intermediaries. Bitcoin transactions are not anonymous and can be traced to a certain blockchain address, but they require more information than the IP address or other identifying information, just like having multiple usernames and passwords.

Bitcoin is a decentralized cryptocurrency: - “Bitcoin is a peer-to-peer payment system, which means payments can be sent and received between anyone on the network anywhere in the world. Parties do require approval from an external source or authority when sending bitcoin from a regulated institution.”<sup>23</sup>

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<sup>21</sup> Likos Paulina and Hicks Coryanne (2022) , "The History of Bitcoin, the First Cryptocurrency Bitcoin transformed the way we think about money. But how did it get its start?", U.S. News

<sup>22</sup> Reiff, N. (2014) What are the advantages of paying with bitcoin?, Investopedia. Available at: <https://www.investopedia.com/ask/answers/100314/what-are-advantages-paying-bitcoin.asp>

<sup>23</sup> Reiff, N. (2014) What are the advantages of paying with bitcoin?, Investopedia. Available at: <https://www.investopedia.com/ask/answers/100314/what-are-advantages-paying-bitcoin.asp>



**No Banking Fees:** -Bitcoin is a cheaper and less regulated way to pay for trades. There are lower fees, like so-called “maker” and “taker” fees, and no overdraft charges. This gives Bitcoin an edge in the exchange market.

**Bitcoin transactions incur low fees for international transactions:** - Bitcoin transactions are much cheaper than bank transfers, which is a major advantage for travelers. Though they can be done quickly, bitcoins also require little authorization, eliminating the need to wait long periods of time.

**Mobile payments:** - Bitcoin users can buy coins anywhere they have access to the Internet. It does not require personal information, like credit cards and bank accounts do. Transactions are anonymous, so if you happen to feel unsafe speaking with someone or being in a public place for whatever reason, Bitcoin is perfect for you.

**Bitcoin Transactions are Irreversible:** - With Bitcoin transactions, they cannot be reversed and they are irreversible. The only way to reverse a Bitcoin transaction is by having the recipient send back the original bitcoin.

**Secure Bitcoin transactions:** - Bitcoin transactions are secure because hacking the cryptocurrency exchange is impossible. Thieves can steal bitcoin by knowing private keys, but if they do not know these private keys hackers cannot steal bitcoins.

### **Legal Status and Legal Issues of Bitcoin**

While India is one of the countries that use cryptocurrencies most successfully, there still exist regulatory uncertainties which affect the future influence of digital currencies. RBI, the Reserve Bank of India has said they are worried about the security risks associated with cryptocurrencies such as Bitcoin. In 2017, India also set up a committee headed by Shri Subhash Chandra Garg to analyze the legal status of virtual currencies in India. The Committee Report concluded that all private cryptocurrency should not be allowed in India. On April 15, 2018, the Indian Supreme Court ruled that RBI was not allowed to ban services to virtual currency-related companies. The Indian government introduced a law on digital currency, with a penalty of up to 10 years in prison. The law was enacted to pave the way for the government to introduce their own digital currency, Digital Rupee.<sup>24</sup>

“Cryptocurrency is regarded as data that represents value and has utility in a business activity. It also acts as a store of value or a unit of account. The Indian government has proposed a new bill to prohibit all private cryptocurrencies in India to create a framework for an official digital currency issued by the Reserve Bank of India. This bill, named the Cryptocurrency and Regulation of Official Digital Currency Bill 2021, will provide a facilitative framework for an official digital currency issued by the Reserve Bank of India.”

Indian Lawmakers suggest banning digital currencies but appear to admit that they may have potential future use. The digital rupee is being considered as an alternative.

Some legal issues are as follows: -

- How to reduce the risk of your bank account being hacked
- Warning: Overcutting the lawn can be hazardous
- No Definitive Laws for Risk Exposure
- How to identify tax evasion and money laundering
- Keep Data Safe with Backup Services
- The rise of investment frauds and scams

**Selling Bitcoin Without a License:** - Due to various loopholes and ambiguities, selling Bitcoin is not illegal in most cases. However, in some countries such as the US, bitcoin exchanges need to be registered with the proper authorities. In addition, channels of payment are

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<sup>24</sup> Cryptocurrencies and related legal issues in India with special reference to Bitcoin (no date) Legalserviceindia.com. Available at: <https://www.legalserviceindia.com/legal/article-4720-cryptocurrencies-and-related-legal-issues-in-india-with-special-reference-to-bitcoin.html>

restricted. There is a risk of prison time attached to operating unlicensed money transmitting businesses and if you work in this industry, it is imperative that you make sure your company is legally greenlit before proceeding.<sup>25</sup>

Taxes: - Bitcoin is not subject to taxation and it has a pseudo-anonymous property. Because of this, people use Bitcoin for tax evasion and illegally bring money into the country, which makes border checks much easier. It is not legal to avoid taxation, but how can you pay taxes when the exchange rate is fluctuating? This will be a difficult issue that lawmakers must resolve in order to find an answer.

Money Laundering: - The blockchain allows for fast, public moving of money between countries. Even if a loophole is found to launder money, which is rare and risky, police are learning how to use the public ledger, which shows where money has been transferred.

#### **IV. CONCLUSION**

Digital currencies offer the ability to transcend international borders, which would help foster economic growth and reliability. It would also be inexpensive, easy, and fast. Digital currencies are able to help boost the trade of the country, while increasing its financial health. With the rise of debit cards and electronic transfers, the system is changing. Governments, banks, businesses, and people no longer use physical money to transfer funds. They input numbers into electronic ledgers and have third parties change the numbers. With the growing popularity of cryptocurrencies, some are fearful over potential changes. Cryptocurrencies have had billion-dollar impact that has yet to be seen.

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<sup>25</sup> Legal issues of Bitcoin and similar Cryptocurrencies (no date) Blockchain Research & Development Hub. Available at: <https://brdhub.com/en/563ZDK9O>