

The next three months will be crucial for India's risk-taking merchants of Bitcoin

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The Indian government is currently in the process of determining the fate of the cryptocurrency Bitcoin and, with it, the very fate of the future of blockchain technology in India.

It is one thing to get an entity to invest in bitcoins as a form of investment for trading purposes, but a bigger challenge is to convince merchants and consumers to use it as a form of currency. Bitcoin is neither legal nor illegal in India, but the government has time and again raised alarms over its use. But there are a few merchants who are planning to or have already started accepting this virtual currency.

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Take Unocoin for example. It claims to be India's leading bitcoin company, and says

there are around 2,000 merchants accepting bitcoins online and around 1,400 using the merchant app for accepting in-person transactions through a mobile app.

Merchants can be broadly classified as online and offline. Most of the online vendors have Bitcoin payment systems integrated into their websites. “Unocoin has designed a mobile merchant application for smaller shops that can convert Bitcoins received and convert them into domicile currency almost in real time depending upon the size of the transaction,” says Sunny Ray, co-founder of Unocoin.



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He believes one of the biggest pushbacks merchants face when adding the Bitcoin payment option is that of convincing stakeholders and people like their accountants. “There is a lot about bitcoins that people are still not aware of,” says Ray.

Ajay Mallareddy, owner of the Bengaluru and Vizag-based restaurants Flying Spaghetti Monster, has been vocal about his plan to accept Bitcoins as payment at his restaurant outlets, especially post the demonetisation move, but he has put the plan on hold after the government raised alarm over the legality of the currency.

Mallareddy, who ran a software company prior to entering the restaurant business, says

bitcoins have the potential to revolutionise the way we transact. He is a big believer in decentralisation.

According to Zebpay, India's biggest Bitcoin exchange, one of the immediate potentials of bitcoins lies in remittances and banking the unbanked. India could potentially save seven billion US dollars in remittance fees paid to US companies.

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Although the plans for adoption of bitcoins had to be put on hold for now, he is positive he will start it soon. "We are planning to develop a payments system in coordination with Coinsecure, a realtime Bitcoin trading platform, that will tell the cashier how many bitcoins the customer owes, without having to search for the exchange rate online," says Mallareddy.

"If bitcoins are given the go ahead, the inculcation of the payment system by merchants will be as easy as getting onto the Paytm platform," said the Hyderabad-based entrepreneur, who has been in the restaurant business for six years.

So what propels these merchants to opt for a form of currency that is still in the legal grey zone? Let's get the legalities out of the way first: Simply put, the legality of bitcoins is not covered under the ambit of any existing Indian laws, and one can't pronounce them legal or illegal as of now. A white paper published by law firm Nishith Desai Associates in 2015 says "it appears that while Bitcoin have several features of a currency or legal tender it is not bank-notes and is consequently not legal tender in India. Accordingly, it is left to be examined if it falls within the purview of securities, derivatives, or commodities." Which means, while bitcoins are not legal tender, they could still fall under the last three categories, which would mean trading in them would be allowed. However, the RBI has

issued cautionary memos against their usage and said that it does not regulate and has not licensed any virtual currencies in India.

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Anil Chaudhary, co-founder of online gift card marketplace NAFA, is one of the people backing bitcoins, irrespective of the cautionary noise around it. Chaudhary, whose company started accepting bitcoins in September 2016, says he was in part inspired by US-based gift cards websites who were accepting bitcoins.



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But the biggest reason for the shift was the target audience. “One of the major reasons for accepting bitcoins was that our target audience matched the profile of a typical Bitcoin user who is generally more technically aware and well educated,” says Chaudhary.

“When we see the usage habits of a person who uses bitcoins versus that of ordinary users, we find that a Bitcoin user buys more gift cards used at offline stores, such as Lifestyle, than for those that are used for online purchases,” he adds.

Chaudhary is optimistic about the future of bitcoins in India, especially given what Japan has done with the currency. He is looking forward to the committee constituted by India's

Ministry of Finance, which is expected to submit its views on virtual currencies in three months time.

Making it easier for merchants to use Bitcoin

If you were to google some of the companies that started accepting bitcoins a few years ago in India, you will notice that the list is small and many links to those sites are not working anymore. Some like ePaisa have stopped accepting bitcoins. People who are taking a chance on the currency fall in a very niche category.

Even within this niche category and going by the number of users that have registered for bitcoins compared to the small amount of those who have ventured or are trying to use it as legit currency, it is fair to say that more people use it — if at all — for trading purposes or as an investment. Bitcoin in India is yet to be understood.

Unocoin on its part is in the process of trying to get more and more merchants on board its platform as fast as possible.

“If you are a general user and you come to buy or sell bitcoins, we charge 1% transaction fees, but for merchants we have a 0% transaction fees, and we plan to keep it that way for the foreseeable future. Even when we do start charging fees, it will be a maximum of 1%,” says Sunny Ray.

Whatever the outcome, there seems to be a unanimity between naysayers and supporters of Bitcoin regarding the fact that the ambiguity that has existed for years with regard to the currency is set to dissipate

By doing this, Unocoin aims to get merchants to shift away from heavy fee charging credit card companies and making bitcoins a reasonable option.

The time taken for the merchant's account to receive the money in Indian currency can vary between 10 minutes to two hours and Ray claims it to be unlike any other Bitcoin application in the world.

The next three months will be crucial for the future of bitcoins in India. Ray believes if bitcoins are made illegal, it will drive users underground where the scope of regulation is

bleak and the dangers are higher.

Whatever the outcome, there seems to be a unanimity between naysayers and supporters of Bitcoin regarding the fact that the ambiguity that has existed for years with regard to the currency is set to dissipate. If the government chooses to legalise this cryptocurrency, then it shouldn't take much time before one simply walks into a store, buys groceries and makes the payment in Bitcoin.



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