

FACTORS INFLUENCING INVESTOR ADOPTION OF CRYPTOCURRENCY AS AN INVESTMENT AVENUE

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Abstract

Cryptocurrency investments are gained a rapid growth and global attention. So, it is necessary to understand the factors influences the mind of the investors to choose cryptocurrency as an investment avenue. The present study is concerned about the factors influenced by the investors to adopt cryptocurrency. The Pearson correlation analysis found that there was a significant correlation between financial literacy and perceived risk. Social influence, financial literacy, blockchain technology, high profit and the perceived risks are the major factors influenced by the investors for adopting cryptocurrencies

Keywords – *Cryptocurrency, Social Influence, Financial Literacy, Bitcoin*

1. Introduction

The advancement of financial technology within industrialized nations is significantly influencing and propelling the growth of financial markets (Mazambani & Mutambara, 2019a). Cryptocurrencies, exemplified by bitcoins, embody an innovative approach to facilitating financial transactions and facilitating the exchange of monetary value. Nevertheless, the widespread acceptance and utilization of these technologies among the general population remains limited. In nations experiencing economic turmoil and exhibiting significant levels of risk, the introduction of cryptocurrencies may present potential avenues for mitigating crises (Dabbous et al., 2022). Currently, the global sphere has been prompted to contemplate the implementation of cryptocurrency investment (Soomro et al., 2022). The utilization of blockchain technology, which holds significant value, has progressively permeated several sectors, leading to its widespread adoption. The rapid growth of bitcoin is accompanied by the emergence of possible concerns. The potential consequence of users discontinuing their utilization of cryptocurrencies is that it may impede the future progress and advancement of this digital form of currency. While previous research has primarily concentrated on individuals'

desire to use cryptocurrencies during the initial stages of adoption, there has been a limited amount of emphasis given to the intention to discontinue usage in the latter stages of adoption (Othman et al., 2019)

The present research study concentrated on the factors that influenced investors to adopt cryptocurrency. Cryptocurrency investment has wide attention today. People are concerned about the low interest rate and low growth rate of their present investments. So, they will try to find new investment avenues for financial stability and growth. Cryptocurrency, a significant manifestation of blockchain technology, has progressively permeated several sectors, witnessing a pervasive adoption (Huang et al., 2022).

2. Objectives of the Study

- To identify the factors influenced by the investors for adopting cryptocurrency
- To identify the correlation between financial literacy and perceived risk

3. Literature Review

(Kala & Chaubey, 2023) The findings of the study indicate that factors such as social influence, effort anticipation, and perceived trust play significant roles in driving the adoption of cryptocurrencies. (Mazambani & Mutambara, 2019) they found that there is a favorable relationship between attitude and perceived behavioral control, and the intention to use bitcoin. (Mishra et al., 2023) Their findings demonstrate that Social Influence (SI) exerts a significant influence on Behavioural Intention (BI). This implies that the perspectives and endorsements of prominent and important persons can function as a catalyst for individuals to consider investing in cryptocurrencies.

(El Charani et al., 2023) The research findings demonstrate that several factors, namely simplicity of usage, perceived usefulness, social influence, and financial literacy, positively impact individuals' inclination to adopt and utilise cryptocurrencies. (Alsmadi et al., 2023) The study's results suggest that various factors, including perceived worth, hedonic drive, gambling mentality, and price volatility, significantly impact individuals' ongoing intention to invest in cryptocurrencies.

4. Limitations of the Study

- The response of the respondents may or may not be biased.

- Cryptocurrency is evolving and technological analysis of cryptocurrency is not taken to study.

5. Research Methodology

Data Collection	Primary Data – Personal Interview and Google form Secondary Data – Emerald Journals
Research Design	Descriptive and Empirical
Population	It is difficult to identify the exact count of cryptocurrency investors. So, the population is infinite.
Sample Method	Random Sampling
Sample Size	122
Data Analysis	Tables, Graphs & Descriptive Statistics
Statistical Tools	Pearson Correlation Analysis
Period of Study	January 2023 – March 2023

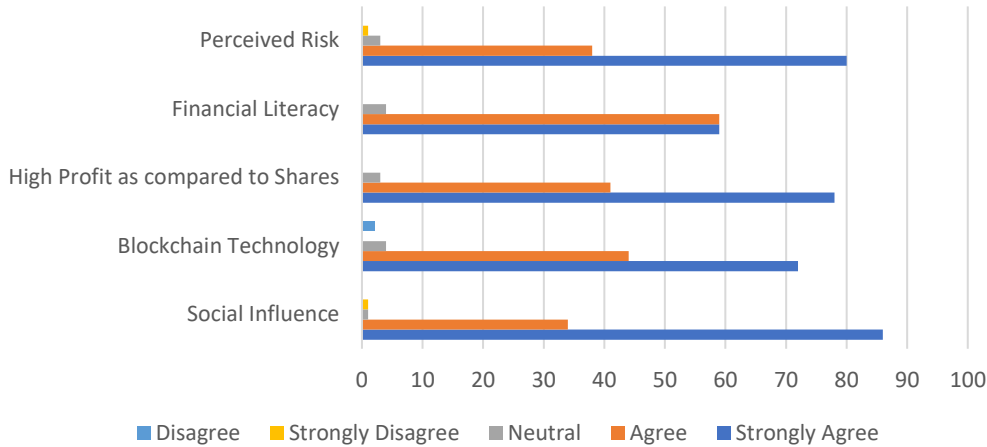
6. Data Analysis and Interpretation

6.1 Factors influenced by the investors for adopting cryptocurrency

Table 6.1 - Factors influenced by the investors for adopting cryptocurrency

Factors	SA	A	N	SD	D	Total
Social Influence	86	34	1	1	0	122
Blockchain Technology	72	44	4	0	2	122
High Profit as compared to Shares	78	41	3	0	0	122
Financial Literacy	59	59	4	0	0	122
Perceived Risk	80	38	3	1	0	122

(Source: Primary Data)



Graph 6.1 - Factors influenced by the investors for adopting cryptocurrency

Interpretation

Majority (86) investors strongly agreed that social influence is a factor influenced them to invest in cryptocurrency. 72 investors strongly agreed that they are influenced by the decentralized nature of the cryptocurrency that is blockchain technology. 78 investors strongly agreed that they are receiving high profit as compared to the shares. 59 investors strongly agreed that financial literacy helped them to achieve an understanding about the fundamentals of crypto trading. 80 investors are strongly agreed that they are perceived the risk.

6.2 Hypothesis Testing

Null hypothesis	Alternative hypothesis
There is no correlation between Financial Literacy and Perceived Risk	There is a correlation between Financial Literacy and Perceived Risk

6.3 Correlation

	r	p
Financial Literacy and Perceived Risk	-0.52	<.001

(Computed by the Researcher through Statistical Software)

6.4 Covariance

	Financial Literacy	Perceived Risk
Financial Literacy	0.98	-0.72
Perceived Risk	-0.72	1.93

(Computed by the Researcher through Statistical Software)

Interpretation

A Pearson correlation analysis found that there is a high, negative correlation between variables Financial Literacy and Perceived Risk with $r = -0.52$. Thus, there is a high, negative association between Financial Literacy and Perceived Risk in this sample. The result of the Pearson correlation showed that there was a significant correlation between Financial Literacy and Perceived Risk, $r(120) = -0.52$, $p < .001$.

7. Research Gaps Identified

- The influence of regulatory frameworks on investors' perception is an area that requires more attention.
- Research on cognitive biases, risk perception, herd behavior, and decision-making processes specific to cryptocurrency investments can enhance our understanding of how these factors impact investor behavior.
- There is a need for research on the effectiveness of investor protection measures in the cryptocurrency market.

8. Findings and Conclusion

The research study found that the result of the Pearson correlation showed that there was a significant correlation between financial literacy and perceived risk. The majority of the investors are influenced by the society in which they live. Social influence was an important element in choosing cryptocurrency. The decentralized distributed database called blockchain technology is another reason for opting for cryptocurrency. It may be because of the decentralized nature and high transaction security. Financial literacy plays a crucial role. It influences the investment environment and the willingness to adopt an investor. Majority of the investors are risk seekers. They are perceived as risks. Investors are also aware of the risks

involved in cryptocurrency, like crypto crashes, price drops, the instability of the tokens, money laundering, and crypto theft.

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