**An Exploration into People’s Perception and Intention about Cryptocurrency as an Investment Avenue**

***Abstract***

*The changing state of money has brought us from barter system to currency, and now e-payments and card payments. This study has been done in order to understand the perception of respondents towards cryptocurrency. The recent boom in cryptocurrency value makes it crucial to study whether it needs to be accepted and regulated as a means of payment and if it needs to have a central authority. This study identifies respondents’ perception by conducting a survey based on their knowledge regarding cryptocurrency and their willingness to invest in it as well as accept it as a common form of payment. It also identifies the trust of people in cryptocurrency which is an important aspect if we aim at using it as commonly as printed money.*

*Keywords: Cryptocurrency, Perception.*

**Introduction**

The introduction of gold coins as a means of payment ended barter system, paper money resulted in a decreased share of coin system, then came plastic cards and electronic money. This trend proves that every existing means of payment is replaced by a new/better alternative. Cryptocurrency is considered to be the next step of this evolution of money by many people, but there are others who oppose to this idea and believe that cryptocurrency cannot be used as commonly as credit cards or cash. The recent boom in cryptocurrency, mainly bitcoin and Ethereum has made sure that almost everyone has heard their name, but the problem arises when the only thing people are aware of is its name. Due to the fact that crypto is a technology which needs a certain level of understanding and is not as easy as just exchanging money, numerous people are unaware of what is actually is and how it functions.

Before we develop awareness regarding cryptocurrency it is important to know the functioning of blockchain. Blockchain is basically a number of blocks of electronic information connected with each other. Each blocks stores any information coded inside it with a unique address code. When the information is transferred to another block is also sends its address code to the next block, which allows users to identify where the last block was connected. This provides transparency to users allowing anyone to track every block to their respective genesis block which have no previous address code. These chronological transactions are recorded and form an immutable chain. We can consider blockchain as a line of millions of unsealed envelopes which can be accessed by anyone but the letters inside them cannot be edited.

Any transaction on blockchain is considered safe for the following reasons:

1. It allows users to verify any transaction and hence allows transparency.
2. It is almost impossible to edit as editing 1 block takes at least 10 minutes, and any editing needs to be done back till its genesis block, which are more than 10 million blocks.
3. Stealing information is not possible as any code inside a block can only be viewed and not changed.

This level of security is the reason that bitcoin uses blockchain as its means of operation. It is completely decentralized and its creation and value depend only on people and market forces.

Despite using such high-end technology to provide a secure and simple system of transactions, bitcoin has failed to be properly recognized by all public. Some countries have declared it as its official currency whereas some even refuse to recognize it as a tool of investment. This failure of recognition and concern regarding regulating it can be due to the following reasons:

1. No central authority or government can control it as it is completely decentralized, making it too volatile.
2. Every transaction result in the formation of a new block in the chain, which means that every transaction can be tracked by users, which makes it difficult to be used for illegal activities like money laundering.
3. Although it is a safe and transparent means of transaction, it is completely digital, which always raise doubts of cybercrime and hacking/stealing.
4. Bitcoin mining is easy and can be done by anyone, but it uses a high amount of electricity per bitcoin and hence has high manufacturing cost. It is also not preferable for the environment.
5. Public is still skeptical about it and perceives it as a means of conducting illegal activities.
6. Stolen cryptocurrency cannot be recovered which is a major setback until it is regulated.
7. Investing in cryptocurrency is still very risky and many investors have a lost a lot of money because of improper investing and financial knowledge.

Blockchain can be used in many other fields like secure sharing of medical data, NFT marketplaces, music royalties tracking, cross-border payment, real-time IoT operating systems, personal identity security, etc. which shows that there is major untapped potential in this sector which will be accessed only when it is regulated.

**Literature Review**

Almost after a decade of launch of cryptocurrency, growth of cryptocurrency is confined to the degree to which it ensures security to its investors that their money is safe. People in general are interested in investment as it provides good returns **(Shukla and Akshay).** As per the population survey conducted by **(Steinmetz, Meduna and Ante)**, around 83% of respondents are aware of the phenomenon but only 9.2% have the knowledge about cryptocurrency and blockchain technology. There is no doubt the huge hype and widespread awareness about cryptocurrencies have contributed to the drastic volatility in their value. Awareness doesn’t always equate to understanding. Most notably that they aren’t backed by governments or central banks. The massive price swings make it impossible to use cryptocurrencies as genuine forms of value exchange, while the limited scalability and excessive costs of mining have held back the ability to complete time-sensitive transactions with the scale of regular payment systems, such as Visa and Mastercard.

Cryptocurrency use-cases are still predominantly limited to speculative trading and investments. There simply aren’t enough applications and real use-cases solving everyday life problems. However, blockchain has already proven it can be applied in different areas and the number of blockchain-crypto projects at the proof-of-concept stage is growing **(Ben Rossi).** In a survey conducted by **(Metin and Yakut)**, it has been found that there is a negative correlation between the risk perception of consumers and the perceived trust towards crypto currencies; and as the trust towards crypto currencies increases, the level of perceived risk declines. Additionally, it can be stated that, the trust toward crypto currencies develops and strengthens over time, the level of trust noticeably increases with the initial investment, and it continues to increase over time.

The acceptance of crypto-payments is modest (2%), but there is substantial interest among online retailers to adopt them. Regression analysis shows that consumer demand, net transactional benefits and perceived accessibility of accepting crypto-payments influence adoption intention and actual acceptance. The findings also suggest that service providers who act as intermediaries in e-commerce play a crucial role as facilitators of competition and innovation by increasing accessibility. The most serious barrier for crypto-acceptance is a lack of consumer demand. It seems therefore unlikely that crypto adoption by online retailers will increase substantially in the near future **(Jonker).**

In conclusion, there is a chance of growth for cryptocurrency and blockchain but the lack of knowledge regarding them has been a major roadblock. Only 2% to 5% of the population is actually interested in crypto and believes that it could become a common way to exchange money. Since there is lack of consumer demand, there is no reason for the government and other organisations to actually take cryptocurrency seriously and make certain rules to regulate its use and consider it as an official payment or investment system.

**Research Methodology**

The research has been done using quantitative analysis method to obtain answers for the questionnaire provided to the participants. The questionnaire consisted of 20 questions which was circulated and responses of 100 participants falling in the age group of 20-40 years were taken in consideration for the study with the help of google form sent through links via WhatsApp to know the perception of youngsters towards cryptocurrency and to judge their knowledge regarding it.

**Objectives**

1. To analyse the existing knowledge of blockchain and cryptocurrency in population
2. To analyse the perception of people regarding cryptocurrency on different parameters like volatility, risk, acceptance in academic curricular etc.

**Analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| Serial number | Demographic Factor | Sample respondents | Percentage |
| 1 | **Gender**  Male  Female | 73  27 | 73%  27% |
| 2 | **Age Group**  18-20 years  20-30 years  30-40 years  40-50 years  Above 50 years | 5  22  35  28  10 | 5%  22%  35%  28%  10% |
| 3 | Educational Qualification  High school  Senior secondary  Bachelors  Masters | 14  21  45  23 | 14%  21%  45%  23% |
| 4 | **Occupation**  Employed (public/private/educational institution)  Business  Student  Unemployed | 53  30  9  8 | 53%  30%  9%  8% |
| 5 | **Annual Income**  1-5 lakhs  5-10 lakhs  Above 10 lakhs  Not earning | 22  36  25  17 | 22%  36%  25%  17% |

Table 1: Demographic Profile of the sample respondents (N\*=100)

Table 1 described the demographic profile of the sample respondent which reveals that there were a total 100 number of respondents in the sample, among which the majority of the sample respondents i.e., 73 % were male, and the remaining 27% were female respondents. The age group was classified into 5 categories that were 18-20 years, 20-30 years, 30-40 years, 40-50 years and above 50 years. From the table, it is observed that most of the sample respondents are falling in the age group of 20-40 years which consist of 57% percent of the total sample respondents followed by the combined responses of age group of 40-50 years and Above 50 years. The majority of the sample respondents is to be self-employed and earning decent income of 5-10 lakhs. The conclusion of the above data is that respondents belong to middle age group, bears decent education qualification and have earning capacity.

**2. Are the respondents are financially aware regarding their understanding of banking, finance and investment industry?**

Using the pie chart seen above, we can see that the majority of the respondents, i.e 48 percent are aware regarding their financial knowledge of banking and investment industry where as 34 percent of the respondents are sceptical and so sure about it and 18 percent of the respondents are not aware.

1. **On a scale of 1-5, how much do the respondents’ prefer the following as an investment tool**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Investment tool | 5 rating | 4 rating | 3 rating | 2 rating | 1 rating | Total number of respondents |
| 1 | Direct equity | 15 | 14 | 36 | 21 | 14 | 100 |
| 2 | Mutual funds | 10 | 23 | 43 | 17 | 7 | 100 |
| 3 | Cryptocurrency | 12 | 18 | 33 | 22 | 15 | 100 |
| 4 | Gold | 19 | 22 | 35 | 17 | 7 | 100 |
| 5 | Real estate | 25 | 28 | 30 | 12 | 5 | 100 |
| 6 | Fixed deposit | 17 | 16 | 34 | 19 | 14 | 100 |
| 7 | National pension scheme | 5 | 16 | 36 | 27 | 16 | 100 |
| 8 | Public provident fund | 11 | 19 | 39 | 16 | 15 | 100 |

**Interpretation :** Using the above table and bar graph we can deduce the following

* In the case of direct equity 29 respondents(4+5) highly prefer it as a mode of investment whereas a majority of 57 respondents (3+2) somewhat prefer direct equity as mode of investment and only 14 respondents out 100 don’t prefer direct equity as a mode of investment.
* In the case of mutual funds 33 respondents(5+4) highly prefer it as a mode of investment whereas a majority of 60 respondents(3+2) somewhat prefer mutual funds a mode of investment and only 7 out of 100 respondents do not prefer mutual funds as a mode of investment.
* In the case of cryptocurrency 30(5+4) out of 100 respondents highly prefer it as a mode of investment whereas a majority of 55 respondents (3+2) somewhat prefer it and only 15 respondents do not prefer cryptocurrency as a mode of investment.
* In the case of gold 41 respondents(5+4) highly prefer it as a mode of investment whereas a majority of 52 respondents(3+2) somewhat prefer gold a mode of investment and only 7 out of 100 respondents do not prefer gold as a mode of investment.
* In the case of real estate a majority of 53 respondents(5+4) highly prefer it as a mode of investment whereas 42 respondents somewhat prefer it over the others and only 5 out of 100 respondents do not prefer it as a mode of investment.
* In the case of fixed deposit 33 respondents(5+4) highly prefer it as a mode of investment whereas a majority of 53 respondents(3+2) somewhat prefer fixed deposits a mode of investment and 14 out of 100 respondents do not prefer fixed deposits as a mode of investment.
* In the case of national pension scheme only 21 respondents(5+4) highly prefer it as a mode of investment whereas a majority of 63 respondents(3+2) somewhat prefer national pension scheme as a mode of investment and 16 out of 100 respondents do not it as a mode of investment.
* In the case of public provident fund 30 respondents(5+4) highly prefer it as a mode of investment whereas a majority of 55 respondents(3+2) somewhat prefer public provident fund as a mode of investment and 15 out of 100 respondents do not prefer it as a mode of investment.

1. **Awareness about cryptocurrency**

**Interpretation :** Using the above pie chart we can easily deduce that the majority of the respondents i.e., 90 percent know and are aware about crypto currency whereas 10 percent of the respondents are still not aware about crypto currency.

1. **Awareness about cryptocurrency on the scale of 1 to 5**

**Interpretation:** Using the above data, it ca be concluded that 90 % respondents are aware of the cryptocurrency. However, the level of awareness amongst the respondent is of average level.

1. **Equity vs Cryptocurrency : Riskier Investment Avenue**

**Interpretation :** Using the above pie chart, we can easily conclude that a majority of population i.e., 53.3 percent considers cryptocurrency to be riskier than equity while investing. And 42.2 percent consider both equity and cryptocurrency to be equally risky whereas only 4.5 percent consider equity to be riskier out of the two.

1. **Perception of respondent regarding volatility of cryptocurrency.**

**Interpretation:** Using the above bar graph, we can easily understand that almost all of the respondents consider cryptocurrency to be volatile. A majority of respondents i.e., 70 (4+5) consider cryptocurrency to be highly volatile whereas the rest 20 respondents consider cryptocurrency to be somewhat volatile.

1. **Opinion of respondents on “Whether cryptocurrency should be regulated with proper rules and regulations by the government”**

**Interpretation:** Using the above pie chart, we can deduce that the majority of the population i.e., 55.6 percent thinks that cryptocurrency should be regulated with proper rules and regulations whereas 24.4 percent of the population are sceptical and 20 percent of the population don’t want cryptocurrency to be regulated with proper rules and regulations set by the government.

1. **Perception of respondent regarding acceptance of cryptocurrency as an exchange medium.**

**Interpretation:** Using the above pie chart, we can see that the majority of the population i.e. approximately 49 percent think that cryptocurrency maybe be able to replace paper money and can be used as a day to day currency, adding up to this 22 percent of the population voted yes and definitely thinks that cryptocurrency could replace paper money, whereas approximately 29 percent of the population still thinks that cryptocurrency would not be able replace paper money and wouldn’t be used as a day to day currency.

1. **Awareness about block chain and crypto mining**

**Interpretation :** Using the above pie chart, we can clearly see that out of 90 respondent, majority of respondents i.e., 62 percent don’t know about crypto mining and block chain as a concept, whereas 37% respondents have vague idea about the concept.

1. **Cryptocurrency as an investment avenue**

**Interpretation :** Using the above pie chart we can conclude that when the respondents were asked that if given the chance would they invest in cryptocurrency, a majority of 62 percent of the respondents answered yes, they would like to invest whereas 25 percent of the respondents were unsure and 13 percent of the respondents did not want to invest in cryptocurrency.

1. cryptocurrency to be part of academic curriculum

**Interpretation :** Cryptocurrency is a growing trend in the market and according to many analysts it will take over the paper money and would change how we use money today, so in order to become ready of that change if it comes we asked the respondents whether cryptocurrency should be a part of academic curriculum or not and a majority of respondents i.e. 88 percent think that yes cryptocurrency should be made a part of academic curriculum on the other hand only 12 percent of the respondent don’t want cryptocurrency to be a part of the academic curriculum.

1. Platform used for investing in cryptocurrency

**Interpretation :** Using the above pie chart, we can easily understand that 48 percent of the respondents do not invest in cryptocurrency whereas 43 percent of the respondents invest in cryptocurrency with the help of apps and only 9 percent of the respondents invest in cryptocurrency by the means of mining it.

1. Perception about scams, thefts, hacking & tax evasion

**Interpretation :** Using the above pie chart we can conclude that a majority of 53 percent of the respondents are worried that cryptocurrency can be used for scams, tax evasion, hacking or stealing, whereas 35 percent of the people are unsure and don’t know whether cryptocurrency can be used for these purposes and on the other hand 12 percent of the respondents are sure that cryptocurrency can’t be used for these purposes.

**Conclusion**

For the general public it has become crucial to have proper and correct financial knowledge, which includes knowledge regarding the new and arguably better forms of investments and asset building catalysts. The new tech savvy era also makes it important to learn how to inculcate the newest technology to these investment mediums. Investing in the stock market used to be a rare thing to do, especially in India, and included relying on brokers and taking their advice on calls. But now technology enables us to buy and sell stocks at home from the push of a button, similarly cryptocurrency allows us to use better facilitated mediums of exchanging money. This is what makes knowledge about cryptocurrency and blockchain so crucial as it could also be the next net banking or even paper money. Since the crypto market is very volatile and also involves people in their late teens and early twenties it is necessary to have proper regulations regarding it and there is also a major need to involve knowledge regarding crypto and blockchain in the school curriculum, which will possibly lead to more aware individuals which have access to better investment and money exchanging mediums.

Blockchain and cryptocurrency is a very interesting and attractive topic of interest in the current market. People of every age group are talking about it and many are investing in it. But the lack of knowledge among people regarding it is concerning as well as disheartening. Its ultimate potential cannot be effectively and efficiently used unless people have proper knowledge regarding it. Indian investors of the crypto market consist of a lot of people who blindly invest in any type of cryptocurrency according to news, memes or word of mouth which makes it equivalent to buying a lottery ticket. According to this survey we observed that almost 50% of the respondents were aware about cryptocurrency but 90% of the respondents found it too risky. This can be attributed to the lack of knowledge as well as lack of governing rules regarding it. People also agreed that there should be regulations by the government regarding it but they were unsure about crypto becoming the next medium of money exchange. It was also observed that while most of them wanted to invest in cryptocurrency, 83% still believed that it can be used as a medium of tax evasion, scams or hacking, which is not the case considering the current process of blockchain and the current technology used to handle it.

It also shows a promising future for blockchain and might help in using it to its full potential in the very different and expansive domains in which it can not only just be used but also change the way we operate these functions and increase its security by tenfold. In this way, this study is different from the papers we have referred to as there is clear growth in the knowledge and acceptance of blockchain and cryptocurrency.

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