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EXPLORING INVESTORS' PERCEPTION TOWARDS CRYPTOCURRENCY- A PILOT STUDY

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ABSTRACT

Cryptocurrencies represent a significant shift in financial paradigms, presenting a decentralized alternative that disrupts traditional monetary systems and facilitates peer-to-peer transactions. This pilot study examines the awareness and perceptions of cryptocurrency among investors in Telangana, India, with a specific focus on regulatory considerations. Data was gathered from 80 participants through purposive and convenience sampling via a structured questionnaire. The research aims to elucidate sources of awareness, investment behaviors, tax implications, and the confidence levels investors maintain regarding crypto trading. The results indicate that a significant proportion of investors are young males, primarily students, with the internet and social media serving as critical channels for information dissemination. Despite the notable engagement in cryptocurrency investments, many participants exhibit limited awareness regarding regulatory frameworks. Additionally, there exists a prevalent reluctance towards existing taxation policies, alongside uncertainty surrounding directives from governmental bodies and the Reserve Bank of India. The findings underscore the necessity for enhanced educational initiatives, clearer regulatory guidelines, and policy adaptations to foster a more informed and inclusive environment for cryptocurrency investing in India. This pilot study serves as a foundational step toward more extensive research aimed at informing policymakers and stakeholders about the emerging dynamics of crypto investment.

KEYWORDS: Cryptocurrency, Block chain, Investors perception, Crypto taxation and Reserve bank of India.

INTRODUCTION

1.1: Overview of Cryptocurrency:

Cryptocurrency represents a digital currency that employs cryptographic techniques to enhance

security against counterfeiting and double spending. Unlike traditional fiat currencies mandated by governments, cryptocurrencies are decentralized and often built upon blockchain technology, which serves as a transparent ledger of all transactions across a network of computers. Bitcoin, introduced in 2009 by the enigmatic Satoshi Nakamoto, remains the foremost cryptocurrency, with a myriad of alternative coins, or altcoins, subsequently emerging. These digital assets facilitate direct peer-to-peer transactions, circumventing traditional financial intermediaries such as banks, thereby offering swifter, cost-effective, and secure financial services. Despite inherent volatility and regulatory challenges, cryptocurrencies have gained immense traction as both payment methods and investment vehicles. The market capitalization once peaked at over $3 trillion in 2021, only to contract to approximately $800 billion in 2022, but it has since rebounded to $3.46 trillion. Ultimately, cryptocurrencies seek to transform conventional financial frameworks by creating a trustless system grounded in cryptography, though they have increasingly come to rely on larger institutional entities that the original cryptocurrency visionaries aimed to disrupt.

1.2: Cryptocurrency in Indian context: cryptocurrencies have emerged as a prominent topic of discussion worldwide, and India illustrates a particularly intriguing case. The nation finds itself in a regulatory gray area; while it has not outright banned cryptocurrencies, neither has it fully legalized them. This ambiguous stance engenders ongoing uncertainty amid evolving discussions and regulations. India is home to a flourishing ecosystem of local exchanges and blockchain enterprises, engaging a community enthusiastic about digital currencies. However, the volatility and potential security risks of cryptocurrencies necessitate cautious engagement. As it stands, cryptocurrencies are not recognized as legal tender, and the imposition of a 30% capital gains tax further complicates investment. Proposals such as the Crypto Bill that could prohibit private cryptocurrencies add another layer of uncertainty. Nevertheless, government initiatives, like the Telangana Web3 Sandbox, reflect a growing recognition of blockchain’s potential, suggesting a possible future integration of cryptocurrencies into India's financial landscape. Therefore, while opportunities exist, they are accompanied by significant risks that necessitate careful consideration by investors.

2. LITERATURE REVIEW

Lekashvili, E., & Mamaladze, L. (2019): The increasing global popularity of electronic currencies, particularly cryptocurrencies, has notably influenced the financial landscape, as major corporations now accept them as payment. This research examines the implications of cryptocurrencies, specifically in Georgia, employing both qualitative and quantitative methodologies, including legal document analysis, statistical evaluation, and interviews. Given Georgia's nascent regulatory environment for cryptocurrencies, the study identifies substantial risks associated with their establishment that may jeopardize economic stability, public welfare, and effective monetary policy. Furthermore, it emphasizes the absence of a unified regulatory framework, while indicating that

central banks globally are striving for consensus in this domain.

Dey, S. (2020): This research paper examines the significant challenges surrounding the legalization of cryptocurrency in India. A 2019 proposal aimed to ban virtual currencies, but the Supreme Court's 2020 decision to lift this ban underscored the absence of robust regulation. With the utility of digital currencies currently at 18 million and projected to reach 21 million, the paper emphasizes the need for stricter oversight to mitigate fraud and criminal activities associated with cryptocurrencies.

Harini, B., & Subramanian, Dr. S. (2021): This study investigated the effects of cryptocurrency on Digital Transformation 4.0 through a systematic evaluation. As organizations strive for greater competitiveness, cryptocurrency emerges as a vital component, particularly benefiting developing nations' financial inclusion. Leading nations such as the USA, UAE, and UK significantly invest in enhancing their digital transformation processes. Analysis of recent annual reports from companies like PayPal, Overstock, and Starbucks reveals a weak correlation between the independent and dependent variables, underscoring the potential of cryptocurrency in fostering digital transformation. Prominent companies, including Google, Amazon, and Facebook, leverage innovative digital technologies to enhance cryptocurrency transparency, supporting the hypothesis of its positive influence on digital transformation.

Dr. Pritha, C., & Prof. Sumit, K. S. (2022): This study examined the foundational aspects of crypto assets, encompassing blockchain technology and the evolving role of these assets in payments. Despite challenges such as market volatility and regulatory issues, their potential to enhance financial inclusion remains compelling. The research underscores that while cryptocurrencies aim to improve financial equality, they also invite strategic manipulation of national finance by private entities. Moreover, the current regulatory landscape offers limited investor protection, yet a trend toward fostering innovation presents an optimistic outlook for the future of digital currencies.

Dhaliwal, M., & Kaur, R. (2023): This research paper investigates the history, development, and viability of cryptocurrency in India, addressing its legal challenges and implications. An analysis of 400 respondents reveals major debates surrounding its constitutionality and potential involvement in illicit activities. Furthermore, it highlights cryptocurrency's role as a digital alternative to traditional banking systems, recorded on blockchain technology. The emergence of platforms such as Zebpay, Coinsecure, and Unocoin signifies a shift towards digital payments. Concerns raised by the Reserve Bank of India regarding virtual currency regulation underscore the necessity for alternatives to established banking methods. Ultimately, cryptocurrency represents an innovative technological advancement with significant potential for global commerce and investment.

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Erwanto & Santoso, A. P. A., (2024): This study investigates the adoption of cryptocurrency as a payment method in Indonesia through statutory and conceptual frameworks. Employing qualitative analysis, the findings indicate the government's proactive role in establishing legal frameworks governing digital currencies. The Crypto Asset Futures Exchange, launched on July 17, 2023, aims to enhance the transparency and efficiency of crypto trading. While acknowledging the government's regulatory stance, the study notes that both the Financial Services Authority and Bank Indonesia have highlighted significant risks, such as volatility and potential for illicit activities, thus prohibiting the use of cryptocurrencies as transaction tools.

3. OBJECTIVES

1.To study the investors awareness towards cryptocurrency in India.
2.To examine the investors perception of regulatory environment in India.

4. RESEARCH METHODOLOGY:

4.1: Research Gap and Scope of the research: From the above literature review it has been identified that the majority of the authors has focused on the technical aspects of the cryptocurrency, Adaptation of cryptocurrency as a payment mode, development and viability of cryptocurrency in India, Digital transformation, challenges and Implications and very few researchers focused on the Investors side of the cryptocurrency. The present paper focuses on the awareness of investors and their perception of regulatory environment in India. The study was conducted on a pilot basis in the state of telangana and further detailed study will be conducted later.

4.2: Hypothesis:

Based on the objectives of the study the following hypothesis is formulated:
H0: There is no significant impact of Demographic profile on the investor's perception
H1: There is a significant impact of Demographic profile on the investor's perception

4.3: Data collection and tools used: The primary data is collected through a well-structured questionnaire using Likert scale and circulated through the google forms and secondary data was taken from various websites, journal and books. A sample of 80 respondents was selected using the purposive and convenience sampling for the collection of data. The collected data was organized, tabulated and analyzed in a significant manner using percentages and one way ANOVA in excel and SPSS.

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5. DATA ANALYSIS.

5.1: Demographic profile and Individual confidence in Cryptocurrency:

Demographic variable	Mean(M)	Std.Deviation (SD)	F-Value	P-Value	Interpretation
Gender	2.06	0.79	1.231	0.271	No significant difference in confidence between males and females.
Age	2.06	0.79	3.395	0.022	Significant difference in confidence across age groups; age influences perception.
Educational qualification	2.06	0.79	0.821	0.516	No significant effect of education level on confidence in cryptocurrency.
occupation	2.06	0.79	1.787	0.157	No significant variation in confidence among different occupational groups.
Income	2.06	0.79	0.740	0.568	Income levels show no significant impact on confidence in cryptocurrency.
Marital status	2.06	0.79	0.002	0.963	Marital status does not significantly affect confidence in future cryptocurrency.

Note: Compiled from primary data.

The analysis of perception measured as confidence in cryptocurrency showed that among the various demographic variables, only age had a statistically significant influence, with an F-value of 3.395 and a p-value of 0.022. This indicates that confidence levels in cryptocurrency significantly differ across age groups. In contrast, gender, education level, occupation, income, and marital status did not show any statistically significant differences, as all p-values were greater than 0.05. These results suggest that, except for age, demographic characteristics do not play a major role in shaping individuals' confidence in cryptocurrency.

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5.2: Demographic profile and Awareness of Regulatory environment:

Demographic variable	Mean(M)	Std.Deviation (SD)	F-Value	P-Value	Interpretation
Gender	1.81	0.622	0.324	0.076	No significant difference by gender
Age	1.81	0.622	0.502	0.682	No significant difference among ages
Educational qualification	1.81	0.622	0.146	0.964	No significant difference by education
occupation	1.81	0.622	0.708	0.589	No significant difference by income
Income	1.81	0.622	0.490	0.690	No overall significant difference by occupation
Marital status	1.81	0.622	0.463	0.498	No significant difference by marital status

Note: Compiled from primary data.

The analysis of awareness of the regulatory environment surrounding cryptocurrency across various demographic groups showed no statistically significant differences overall. The mean awareness scores were similar regardless of gender, age, education level, income, and marital status, with all ANOVA results indicating p-values well above the 0.05 threshold. Although occupation groups did not differ significantly overall, a significant pairwise difference was observed between self-employed and unemployed respondents, with unemployed individuals showing slightly higher awareness ($p = 0.046$, Games-Howell test). This suggests that, except for this specific occupational comparison, awareness of cryptocurrency regulations is relatively consistent across demographic categories in the sample.

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5.3: Demographic profile and not accepting cryptocurrency as legal tender:

Demographic variable	Mean(M)	Std.Deviation (SD)	F-Value	P-Value	Interpretation
Gender	3.41	1.044	0.000	0.984	No significant difference by gender
Age	3.41	1.044	0.526	0.702	No significant difference among age groups
Educational qualification	3.41	1.044	0.658	0.623	No significant difference by educational qualification
occupation	3.41	1.044	0.708	0.589	No significant difference by occupation
Income	3.41	1.044	0.490	0.690	No significant difference by income
Marital status	3.41	1.044	0.006	0.941	No significant difference by marital status

Note: Compiled from primary data.

The ANOVA results indicate that there is no statistically significant difference in respondents' support for the RBI's decision not to accept cryptocurrency as legal tender across all demographic variables including gender, age, marital status, income, occupation, and educational qualification. This suggests that opinions on the RBI's stance toward cryptocurrency are consistent regardless of demographic background, indicating a uniform perception across different groups in the sample.

5.4: Demographic profile and levying of 30% tax on Crypto gains:

Demographic variable	Mean(M)	Std.Deviation (SD)	F-Value	P-Value	Interpretation
Gender	3.99	1.044	0.359	0.551	No significant difference by gender
Age	3.99	1.044	0.438	0.727	No significant difference by Age
Educational qualification	3.99	1.044	0.375	0.825	No significant difference by Education qualification
occupation	3.99	1.044	0.741	0.531	No significant difference by Occupation.
Income	3.99	1.044	2.870	0.029	significant difference in agreement across different income groups.
Marital status	3.99	1.044	0.030	0.695	no significant difference by marital status

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Note: Compiled from primary data.

Among all demographic variables, income is the only factor that showed a statistically significant difference in agreement levels regarding the government's decision to impose a 30% tax on cryptocurrency gains. All other variables gender, age, education, occupation, and marital status did not show significant differences in opinion.

6. FINDINGS

1. Among the total respondent the male is about 80%, Indicating the majority of investors are male.
2. Among the respondents the age group of 28-38 are about 67.5% and between 38-48 are about 21.25% indicating that young investors are more involved.
3. Among the respondents with educational qualification of intermediate 23.75%. Graduation 45% and post graduate 22.5%. Indicating that the educated population is more attracted towards crypto currency investments.
4. Among the respondents' students are about 51.25%, Employes are about 18.75% and Self-employed are about 25% indicating that students are more attracted towards crypto followed my self-employed and employes.
5. Among the total respondents' people with low income i.e. less than 1 lakhs are about 43.75%. Indicating income is not a barrier to enter the crypto Trading.
6. Among the respondent unmarried investors are about 76.25% indicating the risk-taking ability of unmarried investors considering the volatility of crypto markets.
7. The main source of awareness among the respondents is the internet (41.25%) and social media (31.25%) indicating the dominance of digital and media-based sources.
8. Among the total respondents about 75% of the investors are investing from about less than 1 year indicating the inexperience of respondents.
9. Awareness regarding regulations is consistently low or uniform across gender, age, education, occupation, income, and marital status indicating a general lack of regulatory understanding irrespective of demographic background. This may highlight the need for broader awareness campaigns.
10. People with different income levels vary significantly in their support for the 30% tax. Specifically, those earning between 3 lakhs per annum showed lower agreement compared to those in higher income brackets.
11. Confidence in the future of cryptocurrency varies across age groups, suggesting age is a factor shaping perceptions of crypto's long-term viability.
12. Attitudes toward accepting cryptocurrency as legal tender are uniform across different demographic segments. There's no notable variation in support or opposition.

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7. SUGGESTIONS:

1. Engaging young investors is another promising avenue, as the majority of participants are aged between 28 and 38 years. Accordingly, financial platforms and regulatory bodies should create youth-oriented content and tools that provide in-depth financial education and tailored risk management strategies pertinent to cryptocurrency investments.
2. Furthermore, educational institutions such as universities and colleges hold potential as key venues for fostering financial literacy. Given the significant proportion of respondents identified as students or recent graduates, these institutions can serve as focal points for workshops dedicated to enhancing understanding of blockchain technology and cryptocurrency investment strategies.
3. Moreover, given that income does not restrict access to cryptocurrency participation, it is imperative to design customized financial literacy initiatives aimed at low-income groups. These programs should equip participants with the essential knowledge to make well-informed investment decisions and to navigate the associated risks effectively.
4. For self-employed individuals and those engaged in traditional employment, the development of tailored investment tools, tax calculators, and advisory services that acknowledge their unique financial circumstances is crucial.
5. The risk tolerance associated with unmarried investors who constitute 76.25% of the respondents also warrants attention. Investment platforms should implement risk assessment features and guidance on responsible investing to aid this demographic in managing their exposure to the volatility of cryptocurrency markets.
6. Given the prevalence of the internet (41.25%) and social media (31.25%) as sources of information, regulatory authorities and exchanges should prioritize online educational initiatives, engagement with influential figures, and concise informative content to reach broader audiences effectively.
7. Additionally, the fact that 75% of respondents have been investing for less than one year highlights the necessity for beginner-friendly resources, including tutorials, demo trading environments, and structured onboarding programs aimed at fostering safe investment experiences for novices.
8. There is a pressing need for national awareness campaigns that enhance regulatory knowledge among all demographics. Government bodies, exchanges, and fintech organizations must elucidate topics such as taxation, legal status, and safety protocols associated with cryptocurrency investments.
9. Lastly, in light of the resistance to a proposed 30% tax among lower-income groups, policymakers should consider revisiting cryptocurrency taxation frameworks or enhancing public communication to clarify the implications and reasoning behind these regulations. Recognizing age-specific variations in investor confidence, it is critical to tailor messaging and product offerings to address generational differences in risk perception and trust in digital assets.

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8. CONCLUSION:

The pilot study elucidated significant patterns regarding investor awareness and perceptions of cryptocurrency in India. The findings indicate that the investor demographic is primarily young and male, significantly swayed by digital platforms, including the internet and social media. A notable proportion of participants are relatively new entrants to the cryptocurrency market, with over 75% having invested for less than one year and primarily allocating a modest segment of their portfolios. Notwithstanding this enthusiasm, the study highlights a concerningly low level of awareness regarding the regulatory framework across all demographic groups, underscoring a pressing need for enhanced investor education and clearer governmental communication. Furthermore, investor sentiment regarding the 30% taxation on cryptocurrency gains and the Reserve Bank of India's (RBI) position on cryptocurrencies is predominantly negative, indicative of discontent with the existing policy landscape. Although many investors demonstrate confidence in cryptocurrency as a viable investment option, their reliance on non-professional sources for decision-making raises significant questions about the quality of information guiding their investments. Ultimately, the study concludes that while interest and engagement in cryptocurrency are on the rise, a considerable gap in regulatory knowledge and policy acceptance exists. Addressing this gap through comprehensive financial literacy initiatives, improved access to professional advisory services, and transparent policy measures will be essential in cultivating a responsible and robust cryptocurrency investment milieu in India.

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