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RESEARCH ARTICLE

ANALYSIS OF FACTORS INFLUENCING INVESTMENT DECISION IN CRYPTOCURRENCIES WITH SPECIAL REFERENCE TO MANGALORE CITY OF KARNATAKA - AN INVESTORS PERSPECTIVE

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Abstract

Cryptocurrencies have taken the finance world by storm and emerged as global payment tokens in the emerging area of decentralized finance and also as investment avenues of great interest among investors, especially during and post-Covid times. Cryptocurrency or a crypto is a collection of binary data which is designed to work as a medium of exchange. However, today cryptocurrency has taken many forms and derived different utilities. With cryptocurrency being at the centre of decentralised financing, various forms of new / modern decentralised financing avenues have opened up. A cryptocurrency can be used as a form of digital currency, as cash to pay for the purchase of everyday items, to purchase of large items such as buildings, cars etc. It can be bought through several digital wallets or through trading platforms like WazirX, CoinSwitch, CoinDCX, etc., Meanwhile, cryptocurrencies are treated as property or investment avenues as well in several countries. In India, mostly crypto is treated as an investment avenue similar in functionality that of a share. Though crypto is a buzz-word in finance world these days, there are a lot of uncertainties involved with it when it comes to its regulation, taxation and volatility, etc. Thus, in this paper an attempt is made to understand the factors which influences the investors to invest in cryptocurrencies.

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Introduction:-

Cryptocurrency is a digital token/asset which is designed to work as a medium of exchange or payment. The first traces of cryptocurrencies can be dated back to around 1998, by the name “bit gold”, which can be considered as the predecessor of all the modern digital cryptocurrencies. However, it was never implemented. Hence, the first decentralized digital cryptocurrency happened to be “Bitcoin, which went public in the year 2009. Bitcoin, along with Ethereum, Ripple, Litecoin, Dogecoin, Shiba Inu, etc., are the most commonly known crypto’s of the present time. With the growing popularity of cryptocurrencies, the digital coins evolved from being a being a medium of exchange to being an investment instrument. As very few countries like Ecuador, notified crypto’s as a legal-tender, majority of the crypto transactions are in the form of investments for speculative income rather than as a payment system.

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In India, the take of central government and finance ministry with regards to cryptocurrencies has been very sceptical. The government was more inclined towards banning all private currencies and introducing its own Central Banks Digital Currency as a Digital Legal Tender. However, no such outright comments were from the government or by the ministry with this regard and that had put Indian investors in a dilemma with regards to crypto-investments.

It was only during the 2022 Budget that some clarity on taxability on Crypto-income was given. However, there is still no clear vision with regards to the regulatory framework for cryptocurrency transactions. Even the tax implications of 30% and a TDS of 1% on all cryptocurrency transactions made it more evident that the government wants to discourage the investors from investing in cryptocurrencies and also from treating it as an investment instrument. What is the government's take on cryptocurrencies? Will it be that of a legal tender? Or will it be of an investment instrument? Is it something the investors must wait and see for amidst the several uncertainties surrounding the trading in cryptocurrencies.

Review of Literature:-

Camoron (2016), in his study presented that it is very unlikely that any government would allow the use of cryptocurrencies' considering the way how they operate. The author also pointed that, though the people are aware of cryptocurrencies, there is a shortfall of theoretical knowledge and understanding regarding the blockchain based digital cryptocurrencies.

Mittal (2017), stated that traders & merchants, who accept digital cryptocurrency as a medium of exchange to overcome its problem of volatility. This will boost the market of cryptocurrencies in India and other developing countries alike. The author also emphasized that the government should impose proper legal framework to protect the users.

Parashar&Rasiwala (2018), in their study concluded that due to the several disadvantages associated with cryptocurrencies, it is very unlikely that it will catch on as an established digital currency. The authors also profound that cryptocurrencies have no inherent value and the investors are willing to pay prices which are far more than its intrinsic value. However, they also contradict by saying that the technology behind cryptocurrencies can be applied for developing other digital currencies or setting up better digital payment systems.

In the Philippines, BTC Exchange services have registered with BangkoSentral ng Pilipinas. Like Coins.ph another exchange platform, was registered as a Foreign Exchange Dealer (FXD), Money Changer (MC) & Remittance Agent (R.A). BSP requires businesses who want to engage in Bitcoin transfer to be registered. Non-compliant with this requirement would mean that banks will not accept transactions (**Milos, 2017**).

Steinmetz et al(2021) studied the ownership, uses and perceptions of cryptocurrency from the population survey. They found that 83% of the respondents are aware about the cryptocurrency, yet the respondents are self-assessed knowledge about cryptocurrencies and the underlying blockchain technology is limited. 9.2% of the respondents owned cryptocurrencies at the time of the survey; another 9.1% have owned cryptocurrencies in the past. Cryptocurrency users tend to be young, male, well-educated and well-off. The findings had implications for regulators and the businesses which are potentially affected by the increasing societal relevance of cryptocurrency

Shukla and Akshay (2019) studied on the awareness and presumption of cryptocurrency in Bangalore. This paper says that people in general are aware of the Cryptocurrency and they would like to see it as part of their investment portfolio as it provides good return. But they are not willing to invest in Cryptocurrency due to lack of regulation from Government and regulatory authorities. If the Government of India and its regulatory authorities will come forward to regulate its use and transaction in the financial market, it can play a major role in the entire investment portfolio.

Research Objectives:-

1. To understand investors acceptance towards cryptocurrencies.
2. To understand the factors influencing the investment decisions of investors in cryptocurrencies.
3. To analyse the factors influencing the investment timing of the investors while investing in cryptocurrencies.

Research Methodology:-

A Structured questionnaire was prepared and distributed among 100 respondents belonging to a segment of the society on random basis for collecting primary data. Whereas, secondary data was collected from Journals and web sources. The data collected through the questionnaire was put together in the form of charts and analysed using simple percentage method.

Limitations Of The Study:

1. The study is limited to Mangaluru City of Karnataka.
2. The study is limited only to investors perception.
3. Time constraint is another limitation of the study.
4. The study may yield different results with different sample size and sample design.

Data Analysis & Interpretations:

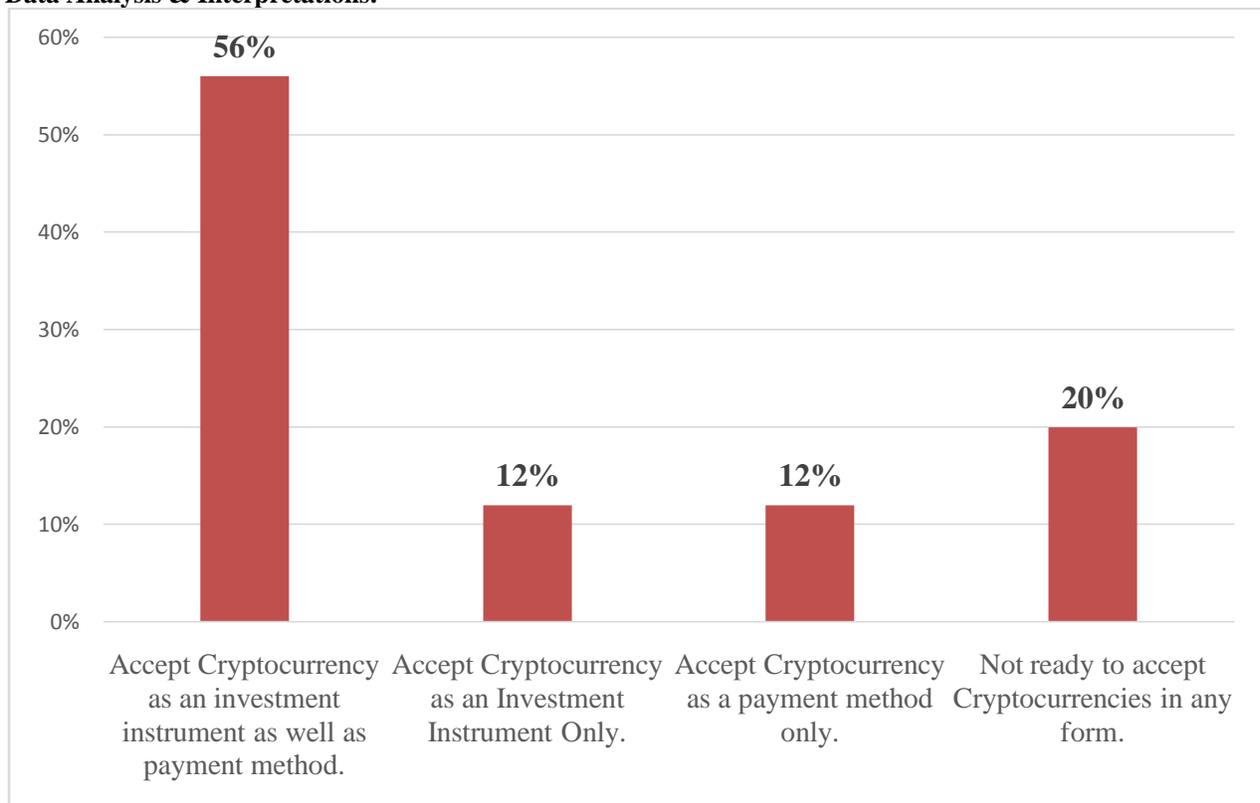
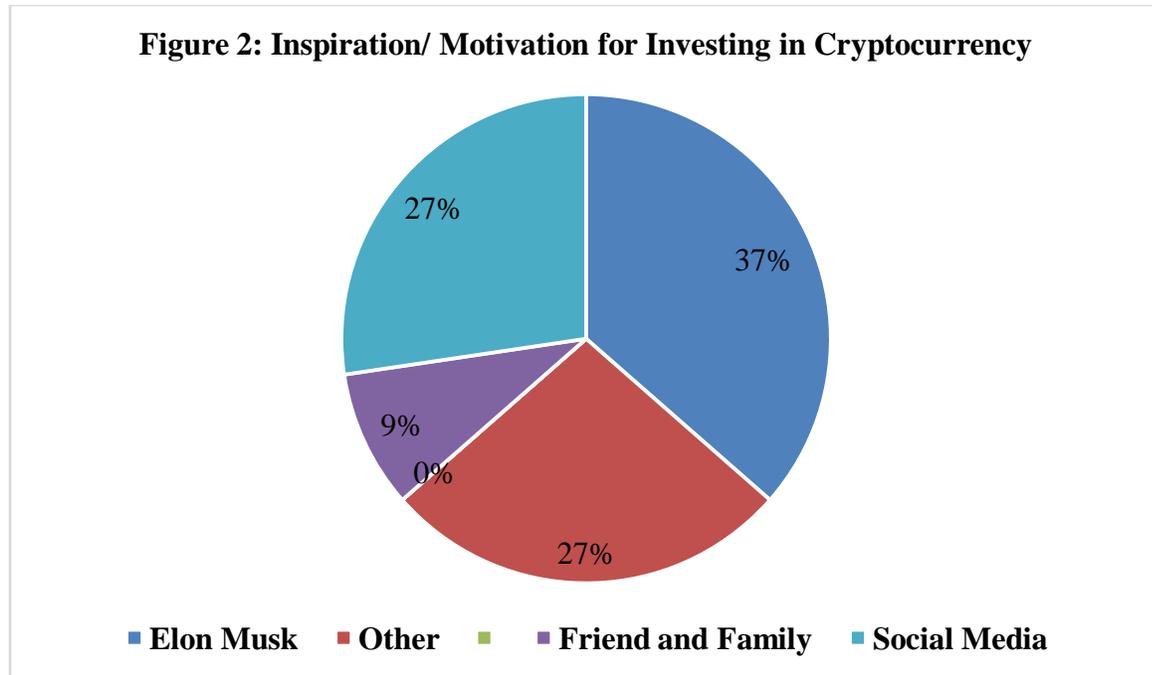
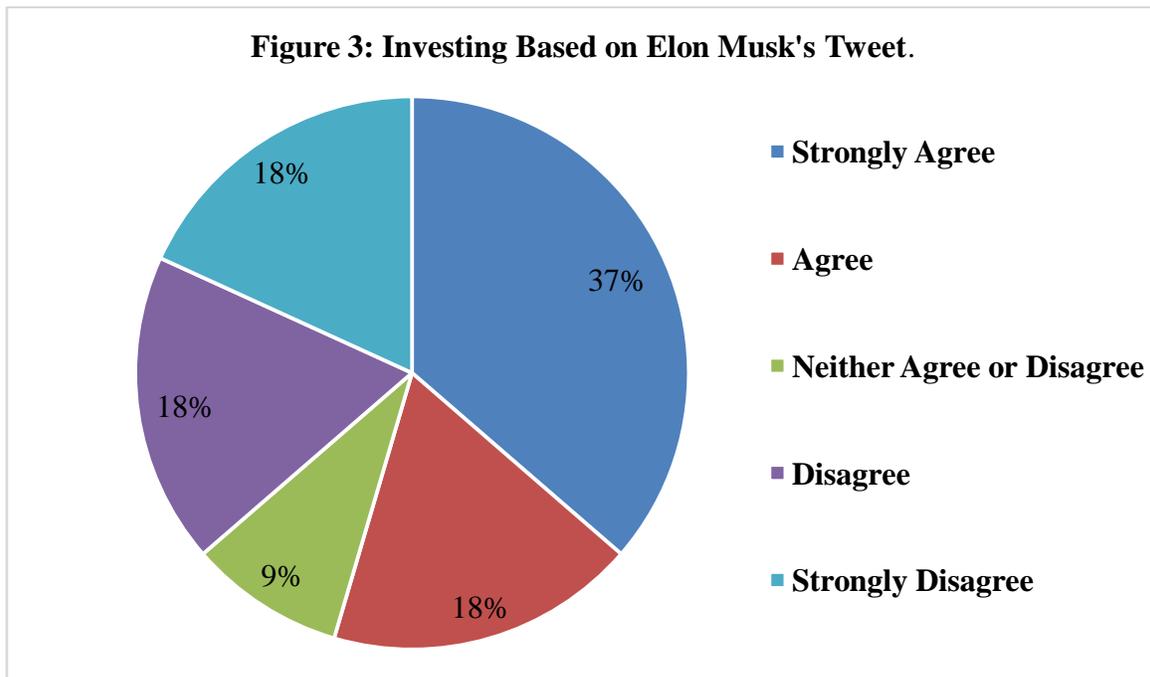


Figure 1:- Acceptance of Cryptocurrency among Investors.

The above Figure 1 shows that 56% of the respondents are willing to accept cryptocurrency as an investment instrument as well as a method of payment, while 12% are ready to accept it only as an investment instrument and, 12% respondents accept it only as a method of payment. The remaining 20% are not at all ready to accept cryptocurrencies in any form.

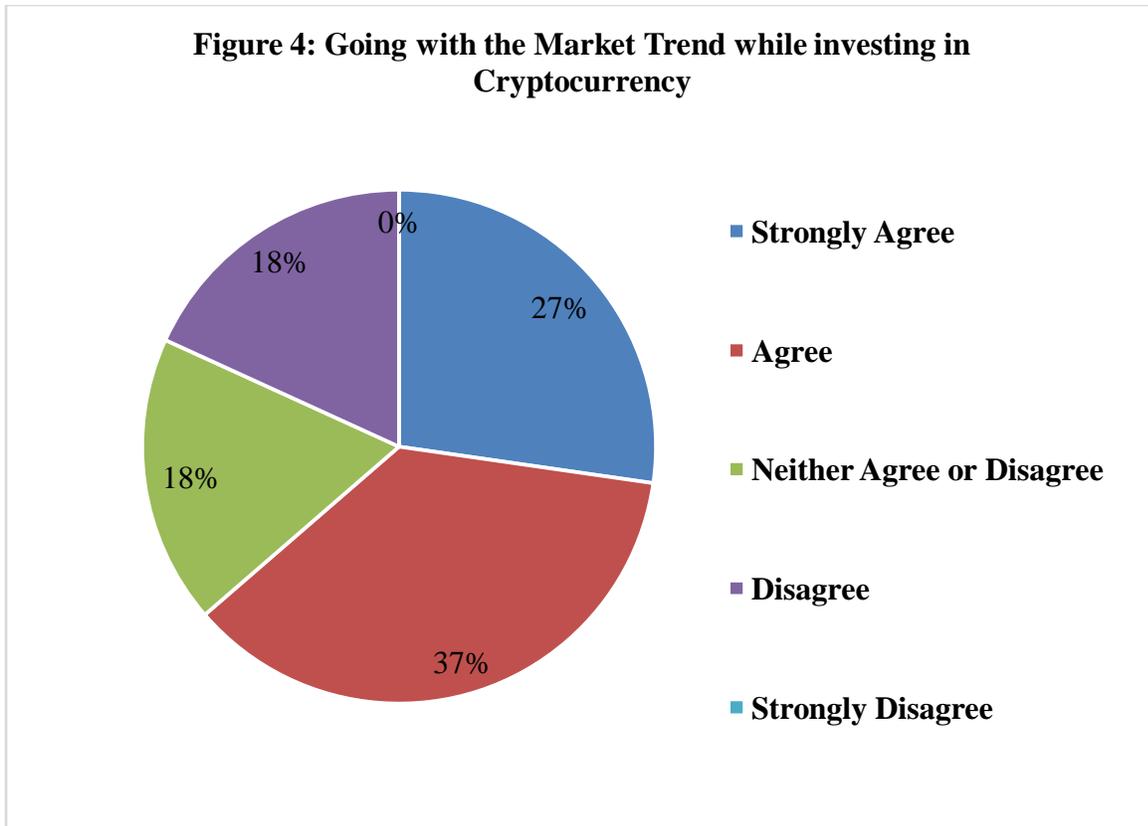


From the Figure 2 it is clear that most of the respondents (i.e., 37%) take Elon Musk as an Inspiration to invest in cryptocurrency. While 27% take inspiration from social media and from other sources and the remaining 9% are motivated by family & friends to invest in cryptocurrencies.

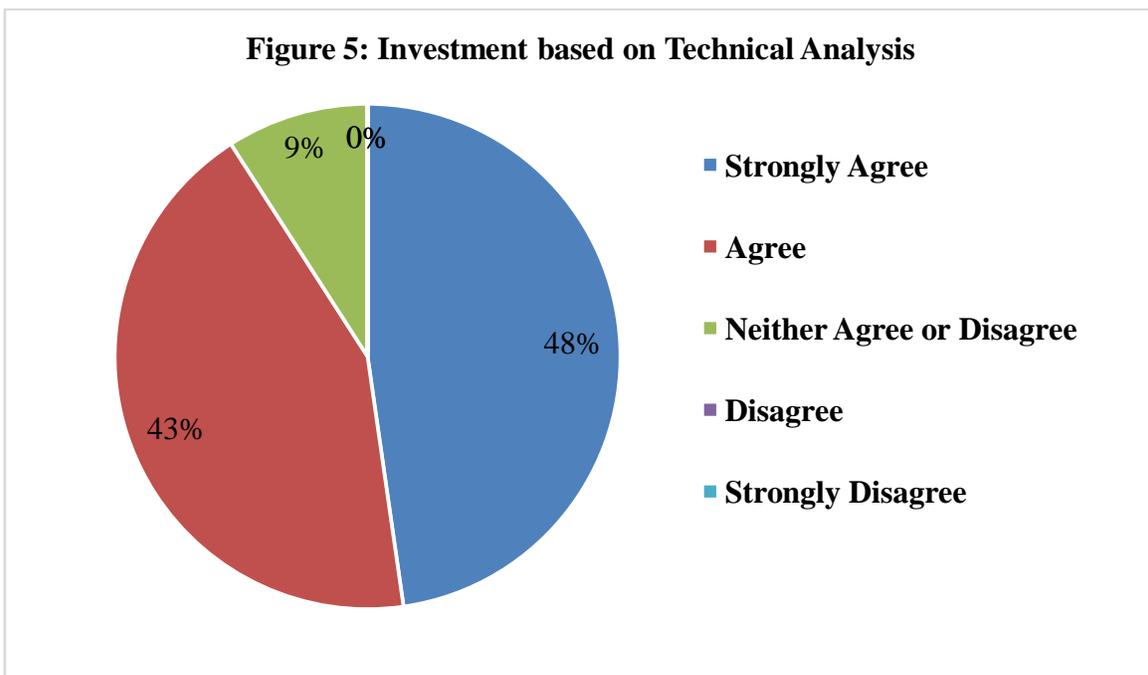


From the above Figure 3, it is clear that above 37% of the respondents strongly agree that they take Elon Musk as an inspiration to invest in cryptocurrency and invest based on the Tweets posted by Elon Musk. And another 18% also agree that they invest based on Musk's tweets. However, 18% of the respondents disagree and strongly disagree and 9% of the respondents neither agree nor disagree with this statement.

However, from the above data depicted in Figure 2 & 3 it is evident that Elon Musk has significant influence when it comes to people's decision on investing in cryptocurrencies as well as the timing of investment.



As shown in Figure 4, it is clear that 37% of the respondents agree and 27% of the respondents strongly agree that they go with the present market trend when it comes to investment in cryptocurrencies. 18% of the respondents neither agree nor disagree and also another 18% disagree with the statement.



From the above Figure 5, it is evident that 48% of the respondents strongly agree that they undertake technical analysis, price variations, and graph movements, etc., before investing in cryptocurrencies. While 43% of the

respondents also agree that they invest in cryptocurrency based on technical analysis and only 9% neither agree nor disagree with this statement.

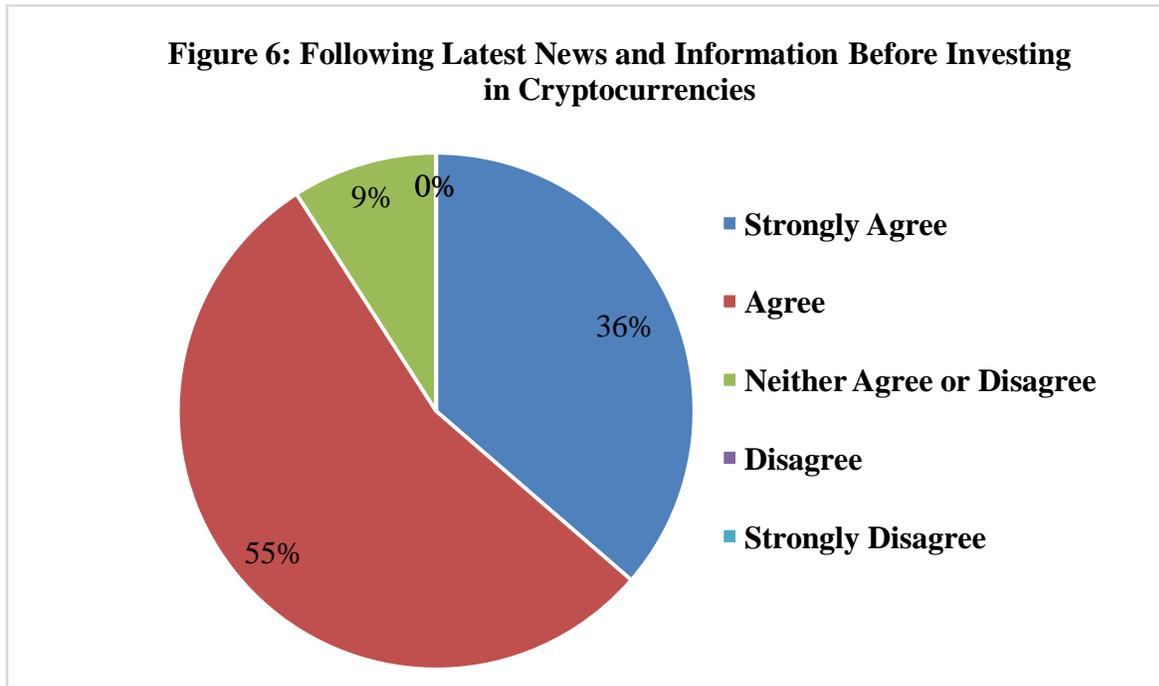


Figure 6 shows that around 55% of the people agree and 36% of the respondents strongly agree that they follow the latest news and information about the market while investing in cryptocurrencies. The remaining 9% stated that they neither agree nor disagree with the statement.

Conclusion:-

In the present scenario, people are aware of what crypto is and how to invest in them. With more crypto-exchanges being set-up in the country to more influencer, celebrities and businessmen talking about cryptos have made it more so popular especially among younger investors. Currently, as analysed in the study, it was evident that most of the investor class were aware of cryptocurrencies and also are willing to accept cryptocurrencies as an investment avenue. Hence, while investing in cryptocurrencies, they often look at various factors which includes technical analysis about a particular crypto, closely following the trends in the market, and news and information about the various cryptocurrencies. One of the most impactful factors without a doubt is Elon Musk, as majority of the respondents of the study were firstly inspired by Elon Musk to invest in cryptocurrencies and secondly, follow Elon Musk's tweets about the cryptocurrencies very diligently.

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