

# FACTORS AFFECTING CUSTOMER AWARENESS FOR BITCOIN AS AN INVESTMENT AMONG INDIANS

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## **Abstract:**

We have seen a spurt in cryptocurrency in last few years. Initially it was perceived as a geek thing, but lately it has penetrated into mainstream finance. Now there are more exchange centres and people are aware of its presence. It has given good returns, shown volatility and riskiness. People are gradually opting it for their portfolio as in investment. In our study we wanted to know about the factors which affect in the awareness level of bitcoins used as an investment.

Keywords – bitcoins, cryptocurrency, bitcoin as investment, alternate currency

## **Introduction:**

Bitcoin is a crypto currency which was created in 2009. It follows an open source network which connects peer to peer network. The fluctuation in the exchange rate is highly volatile. Lately, the phenomenon has struck the investment world and people have started investing as an asset option (at par with gold, real estates, paintings etc.)

## **Government regulations:**

The currency has no fiat backup and still has split opinion among most of the nations. In few countries, like Australia, Canada, Japan, it is legal to have transactions done in bitcoins. In India, this currency is not regulated by any authority, but there are spurt of bitcoin exchanges in last 3-4 years. Few prominent names are Zebpay, Unocoin, Mycelium etc. People have witnessed a significant rise in December 2017 and after that more people are attracted towards it as an investment option. Interestingly, its exchange rate has still not touched back the same value as of December 2017. (Data till April 2018). With the advent of technology and information available on the fingertip, people are more aware and willing to try something which is considered as “new” in the financial engineering parlance. In the recent

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release, Reserve Bank of India issued that right now we are withdrawing support to virtual currency businesses until further updates.

### **Literature Review:**

In the study conducted by **Bruijl. G (2017)**, it was observed that crypto currencies are still limited with high educated people. Even though its gaining momentum but people see it more as investment option rather than a payment option. It was further added by **Schuh. S and Shy. O (2016)** that in US, consumers are still less aware about bitcoins. There is more awareness among male gender. Also, high income people are more aware about the same. Education is also an important factor as high educated people are more aware about the bitcoins. It's also observed that most of the merchants use the bitcoins for speculative purposes. In the study conducted by **Vyshnavi. R (2016)** Bitcoins is a new concept and It is seen that there is a strong need for its promotion to make the common man aware about the simplicity and flexibility it offers in its usage. People need to be educated about the decentralization to use it as a powerful tool for monetary transactions in the future decades.

Another study conducted on Greek population by **Tsanidis. C, et al. (2015)** et.al showed that male gender with the education of bachelor and above are more aware about the concept. Majority of the users came to know about the Bitcoins just a year or two years ago. Greek users use Bitcoin wallet on their own computers and merely a little percentage use mobile wallet. They concluded that success of Bitcoins is not clear and there is lack of awareness in Greek about Bitcoins. Also, survey conducted by **Massachusetts Division of Banks Survey (2014)** shown that the willingness about purchase of bitcoins is much greater among young people as compared to older respondents. Awareness level is high among males, highly qualified and having high income levels. The major concern about the usage of virtual currencies is insecurity, Insurance and Government regulations. **Yermack. D (2013)** categorized Bitcoin as a currency by stating it as a speculative investment than like a currency. He based his argument on Bitcoin's volatility and also based it on the fact that its rates have no correlation with fiat currencies.

**Selgin (2013)** categorized Bitcoin based on historical development of monetary systems and categorizes Bitcoin as Synthetic Commodity Money. Synthetic commodity money need not be supported either by legal-tender status or by being receivable for public payments, though such attributes might of course contribute to its value and purchasing-power stability". **Brier et al. (2013)** study bitcoins as a part of an investment portfolio. The study finds that including

bitcoins in the portfolio offers significant diversification benefits in terms of mean-variance trade-offs.

### **Objectives of the study**

1. To study the factors affecting the awareness level of bitcoins as an investment option.

### **Need and Scope of the study:**

Most of people in India invest their money in gold, fixed deposits, share market as most of people are not aware of these new term like bitcoins. So, in order to know the awareness regarding bitcoins there is need of this type of study. As bitcoins is invented by anonymous group not by any corporate world, so people are having perception of high risk in bitcoins, this type of study will help to evaluate the reason that why some people who are aware of bitcoins are investing in this mode of investment and why some of them are not investing.

This study is based on the perception of respondents from India, but there can be other regions and other factors related to awareness regarding bitcoin as an investment purpose. So, this research can be extended further to different geography. In addition to bitcoins there are many crypto currencies and processes in the market like Lite coins, Ripples etc. So, this study can be taken further for studying about related industry and consumer groups.

### **Research Methodology:**

We have administered the instrument inspired by the Survey of Consumer Payment Choice (SCPC), US and selected the “Virtual currency” segment questions. Questionnaire is added at the end annexure. The respondents were chosen as random sampling over emails, social media and personal contacts. Questionnaire which seemed inadequate were not added for the analysis. We approached 397 respondents and we received 301 responses. Among them, only 189 chosen for the further analysis. We are well aware that all these respondents are not an active user of bitcoins We used IBM SPSS and run Principal Component Analysis

### **Analysis:**

#### **KMO and Bartlett's Test<sup>a</sup>**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.811
Approx. Chi-Square		917.883
Bartlett's Test of Sphericity	Df	170
	Sig.	0.000

Component	Initial Eigen values <sup>a</sup>			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
It is not easy to acquire/use	7.322	28.909	28.909	7.322	28.909	28.909
The value of Bitcoin varies too much	3.291	18.790	47.699	3.291	18.790	47.699
I do not understand/know enough about the technology	2.333	11.487	58.186	2.333	11.487	58.186
I think its perceived benefits are good	1.226	6.508	63.694	1.226	6.508	63.694
The fees associated is high	1.018	4.578	68.272			
The legality of Bitcoins in India is unsecure	.819	3.681	71.953			
It has user anonymity	.768	3.454	75.407			
The purchases are not taxed yet	.691	3.108	78.514			
I believe it has low fees	.655	2.942	81.456			
I believe it has ease of transaction	.577	2.592	84.048			
It is user anonymity	.536	2.410	86.458			
There is no third-party interference	.468	2.104	88.562			
Purchases are not taxed	.443	1.993	90.555			
It has low transaction fees	.401	1.800	92.355			
My friends have suggested about it	.380	1.706	94.061			
It requires lot of study before investing	.330	1.485	95.546			
Risk associated while investing in bitcoin is high	.308	1.385	96.932			
Bitcoin involve excessive volatility	.279	1.252	98.184			
Bitcoin involve high risk of fraud	.252	1.131	99.315			
It requires every time an expert opinion	.152	.685	100.000			

From the above table It is found that only the component 1 is able to explain nearly 29% variance, component 2 is able to explain 18%, component 3 approximately 11%, and component 4 explains 6.5% approximately. And, together they are able to explain 63.694% variance.

### **Findings and conclusions:**

It has been observed from the findings that by factor analysis using principal component analysis method, we reduced 20 factors into 4 components. We named four components as **monetary factors**, **risk factors**, **operational factors** and **legal aspects** as four components. We found that **monetary factors** are most important (like fee associated with the transaction of Bitcoins, easy to transact etc) It also plays vital role in the awareness level about bitcoins as investment option. Followed by these factors comes the **Risk factors** that affect the decision of investors. This includes risk of fraud, threat of volatility, etc. **Operational factors** consist of variables like behavior of investor related to online payments, usage of internet, qualification of individual etc. **Legal aspects** related to bitcoins that affect the decision of an individual as legality of bitcoins, risks and vulnerability associated with transactions of Bitcoins, personal information associated with transaction. **Legal aspects** don't affect much as observed from the table that majority of the influence is of monetary factors that alone possess half of the variance in the above tables and other three risks, operational and legal aspects together form half of the proportion.

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