

Awareness Of Crypto Currency As An Investment Option Among Traders: An Empirical Investigation

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Abstract

This paper investigates the awareness of crypto currency as an investment option among financial traders. In the rapidly evolving landscape of financial markets, crypto currencies have emerged as a novel and potentially disruptive asset class. Understanding the extent to which traders are aware of crypto currencies is crucial for gauging market maturity, potential adoption rates, and the need for further education and regulatory frameworks. This study formally tests the null hypothesis (H0) that traders are not aware of crypto currency as an investment option against the alternative hypothesis (H1) that traders are aware of crypto currency as an investment option. Through a review of existing literature, a proposed methodological framework for empirical testing and a discussion of potential implications based on hypothetical findings, this paper aims to contribute to the understanding of crypto-awareness within the trading community and its broader implications for the financial ecosystem.

Keywords Crypto currency, Awareness, Investment, Traders, Hypothesis Testing, Market Efficiency, Digital Assets

1. Introduction

The advent of Bit coin in 2009 marked the origin of a new era in finance – the age of crypto currencies. Characterized by decentralization, cryptography, and block chain technology, crypto currencies offer a digital alternative to traditional fiat currencies and have rapidly evolved beyond their initial use case as peer-to-peer payment systems. Today, crypto currencies like Bit coin, Ethereum, and countless others are increasingly recognized, debated, and utilized as investment assets. Their volatile yet potentially high-yielding nature has attracted attention from both retail investors and institutional players, sparking discussions about their role in portfolio diversification, risk management, and the future of finance.

In this dynamic context, understanding the level of awareness surrounding crypto currencies within the trading community is paramount. Traders, defined here as individuals actively engaged in buying and selling financial instruments with the objective of profiting from short-term price fluctuations or longer-term market trends, form a critical segment within financial markets. Their knowledge, perceptions, and investment decisions significantly influence market dynamics and the overall adoption trajectory of new asset classes. If traders are largely unaware of crypto currency as an investment option, it signals a potential barrier to wider market integration and highlights the need for targeted awareness campaigns and educational initiatives. Conversely, if awareness is prevalent, it suggests a more mature market landscape and necessitates a focus on factors influencing adoption, risk management, and regulatory considerations.

This paper, therefore, focuses on testing the fundamental question of awareness. We formally theorize the following hypotheses:

- **Null Hypothesis (H0):** Traders are not aware of crypto currency as an investment option.
- **Alternative Hypothesis (H1):** Traders are aware of crypto currency as an investment option.

2. Literature Review

While research specifically addressing crypto currency awareness among *traders* might be 0, a substantial body of literature exists that informs our understanding of crypto currency adoption, investor behavior towards novel assets, and awareness studies in related financial domains.

2.1 Crypto currency Adoption and Investor's Behavior: Existing literature highlights various drivers and barriers to crypto currency adoption. Factors such as perceived usefulness, ease of use,

trust, social influence, and regulatory clarity are often cited as key determinants of adoption intention and behavior (Venkatesh et al., 2003; Rogers, 2010). Studies have also explored the motivations behind crypto currency investment, ranging from speculative gains and portfolio diversification to ideological beliefs in decentralization and technological innovation (Yermack, 2015; Bouri et al., 2017). Furthermore, behavioral finance perspectives suggest that cognitive biases, such as herding behavior and loss aversion, can significantly influence investment decisions in volatile markets like crypto currencies (Kahneman & Tversky, 1979; Barberis & Thaler, 2003).

2.2 Awareness Studies in Financial Domains:

Research in related financial areas has consistently demonstrated the crucial role of awareness in investment decision-making. Studies on financial literacy and investor awareness have shown that individuals with higher financial knowledge and awareness are more likely to participate in financial markets, make informed investment choices, and achieve better financial outcomes (Lusardi & Mitchell, 2014; Van Rooij et al., 2011). Specifically, awareness of different asset classes, investment opportunities, and associated risks is a prerequisite for considering and adopting them in investment portfolios. In the context of new and emerging asset classes, such as sustainable investments or alternative assets, awareness often precedes adoption and plays a vital role in shaping market development.

2.3 Crypto currency Information Sources and Media Influence:

The rapid growth of crypto currency has been accompanied by extensive media coverage across various platforms, including traditional news outlets, online financial websites, social media, and dedicated crypto currency news sources. Media narratives, both positive and negative, can significantly influence public perception and awareness of crypto currencies (Kristoufek, 2013). Social media platforms, in particular, have become influential sources of information and discussion surrounding crypto currencies, potentially amplifying trends and shaping investor sentiment (García & Schweitzer, 2015). Understanding the role of these information sources in shaping trader awareness is crucial for interpreting empirical findings.

Synthesizing Literature

This brief literature review suggests that awareness is a foundational aspect of investment adoption. While direct evidence on trader awareness of crypto currency may be limited, related research on adoption, investor behavior, and financial awareness underscores the importance of information accessibility and dissemination. The pervasive media coverage and online discussions surrounding crypto currencies point towards a likelihood of significant awareness, potentially leading us to anticipate rejecting the null hypothesis (H0) in favor of the alternative hypothesis (H1). However, empirical investigation is necessary to rigorously test this assumption and quantify the actual level of awareness within the trader community.

3. Methodology for Empirical Testing

To empirically test the hypotheses, a quantitative research approach employing survey methodology is used. This method allows for efficient data collection from a potentially large sample of traders and enables direct assessment of their awareness levels.

3.1 Target Population and Sampling:

The target population for this study is defined as "financial traders." For the purpose of empirical research, a more specific operational definition is necessary. We are defining traders as individuals who:

- Actively participate in financial markets (e.g., equities, fixed income, commodities, derivatives, and potentially crypto currencies).
- Engage in trading activities with the primary objective of generating profit.

3.2 Data Analysis:

Age Group

52 responses

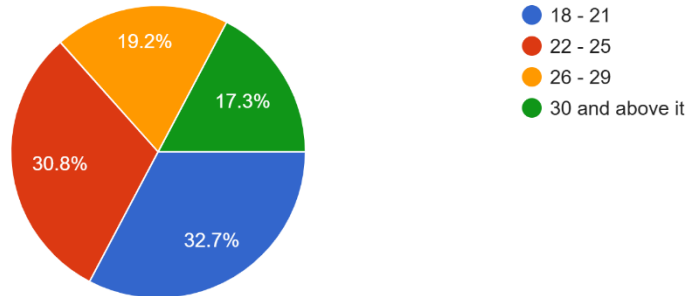


Fig. 1: Respondents age

What is your primary trading experience?

52 responses

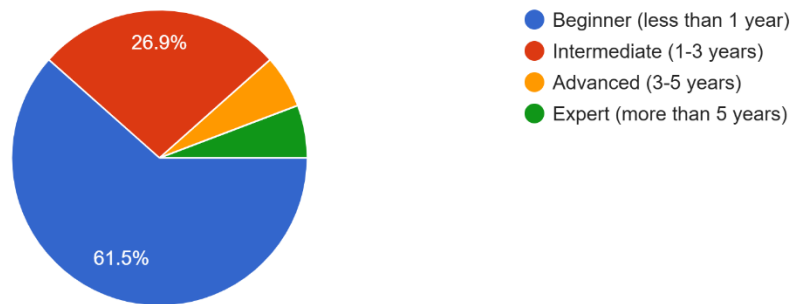


Fig. 2: Trading experience

What types of assets do you primarily trade? (Select all that apply)

52 responses

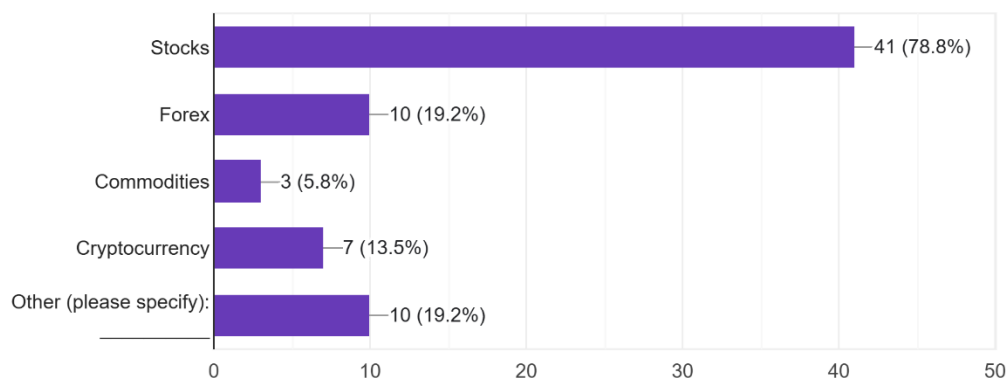


Fig. 3: Majorly trading assets.

How familiar are you with cryptocurrency as an investment option?

52 responses

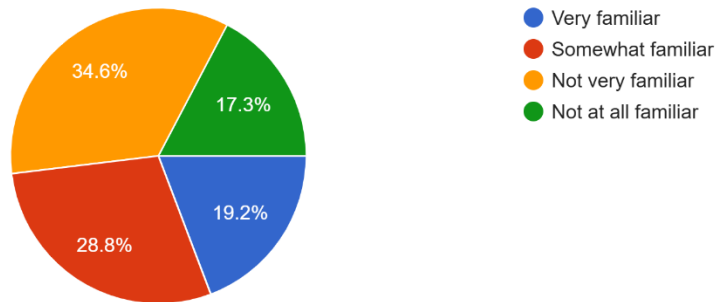


Fig. 4: Familiarity with Crypto currency as an Investment option

Which of the following cryptocurrencies are you aware of? (Select all that apply)

52 responses

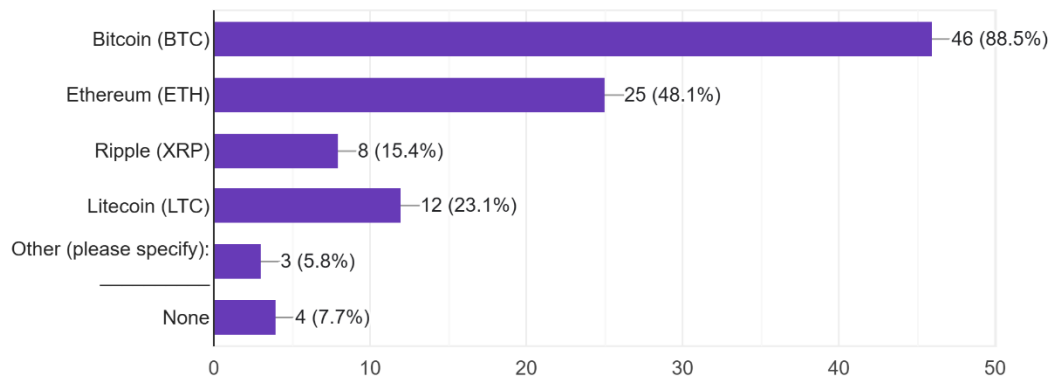


Fig. 5: Awareness about various types of Crypto currencies

Have you ever invested in cryptocurrency?

52 responses

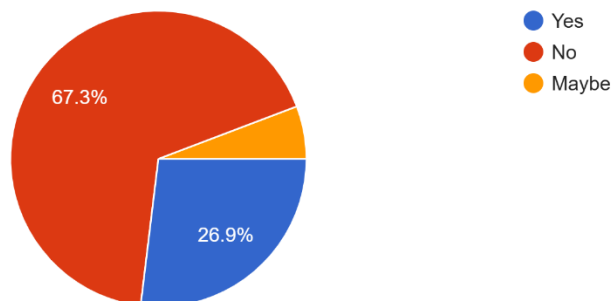


Fig. 6: Sample population who has invested in crypto currency

If yes, which types of cryptocurrency investments have you made? (Select all that apply)

41 responses

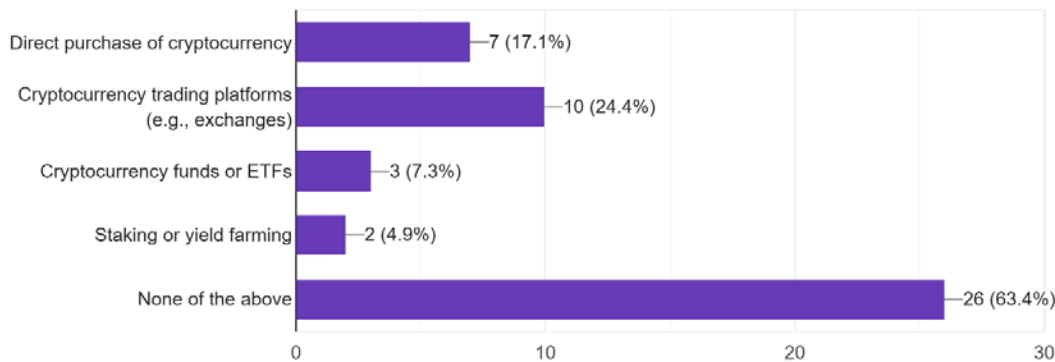


Fig. 7: Types of Crypto currency investment options

What trading platforms do you use for cryptocurrency trading? (Select all that apply)

50 responses

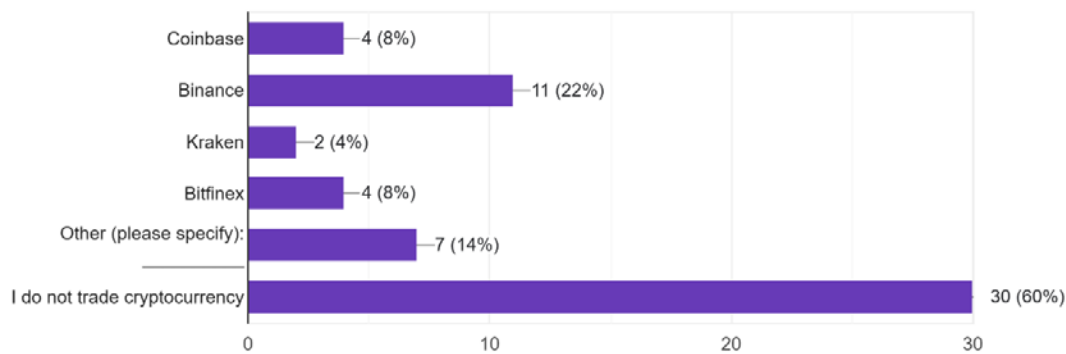


Fig. 8: Trading platforms available for crypto currency trading.

Which trading options do you prefer when dealing with cryptocurrencies? (Select all that apply)

47 responses

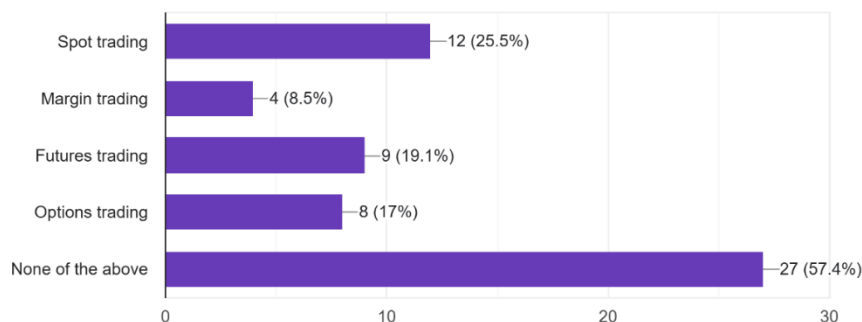


Fig. 9: Trading options available in Crypto currency trading

How often do you trade cryptocurrencies?

49 responses

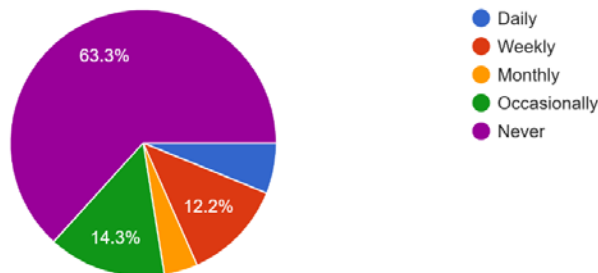


Fig. 10: Frequency in trading

What factors influence your decision to invest in a particular cryptocurrency? (Select all that apply)

47 responses

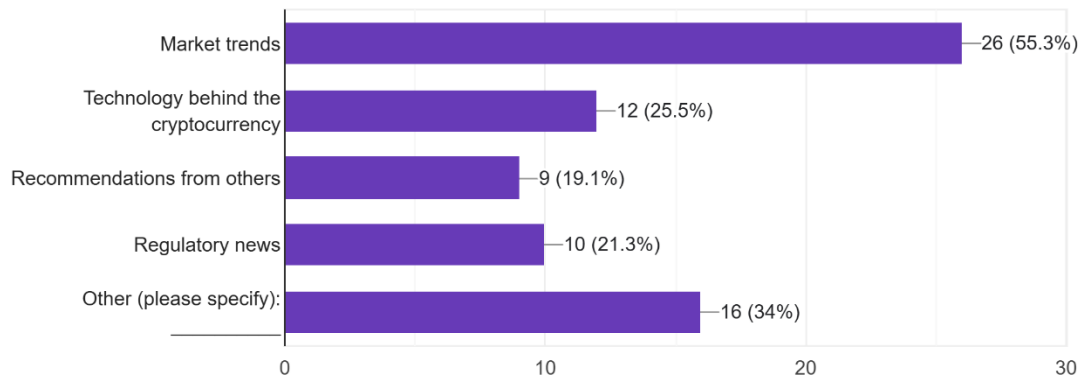


Fig. 11: Factors influencing decision of investment.

How confident are you in your knowledge of cryptocurrency investment options?

49 responses

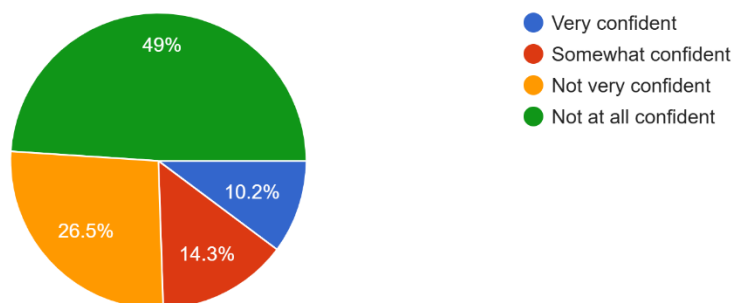


Fig. 12: Confidence in the knowledge of crypto currency.

Are you considering investing in cryptocurrency in the next 12 months?

50 responses

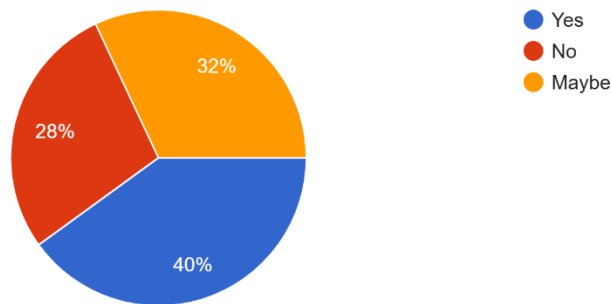


Fig. 13: Considering investing in crypto currency in near future.

What resources do you rely on for information about cryptocurrency investment? (Select all that apply)

48 responses

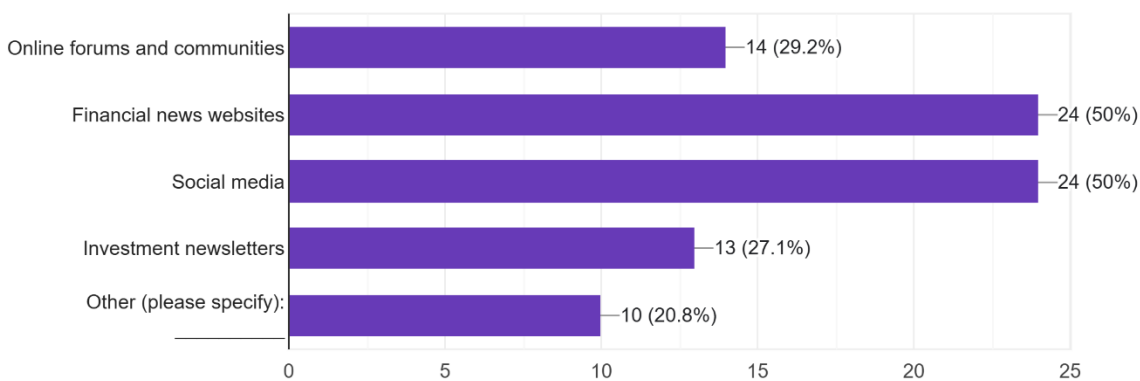


Fig. 14: Reliable resources for information

What would encourage you to invest more in cryptocurrency? (Select all that apply)

48 responses

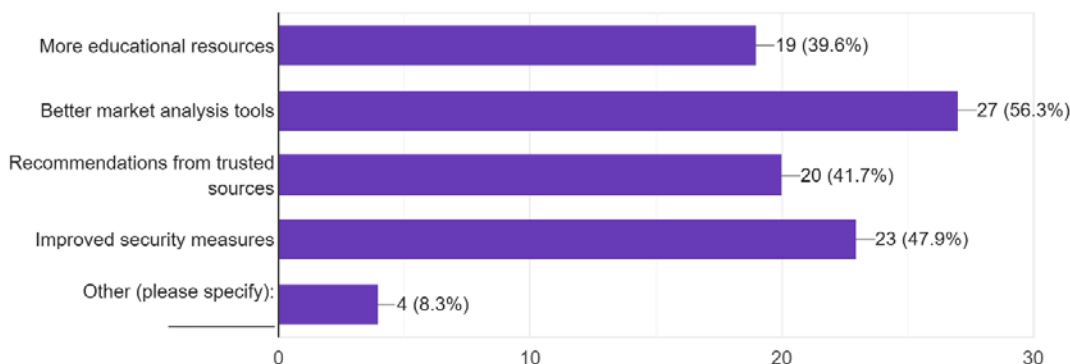


Fig. 15: Varieties of boost provided to increase investment

What is your biggest concern about investing in cryptocurrency? (Select one)
48 responses

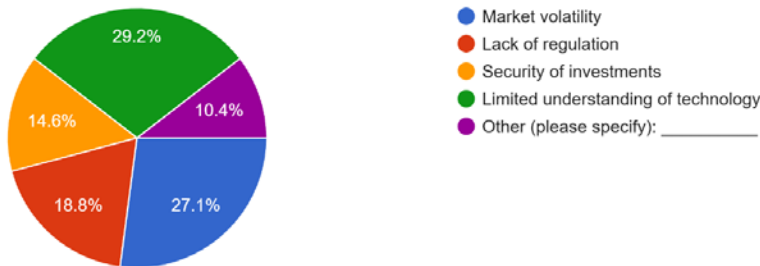


Fig. 16: Concerns about investing in crypto currency.

Would you like to receive more information about investment options in cryptocurrency?
50 responses

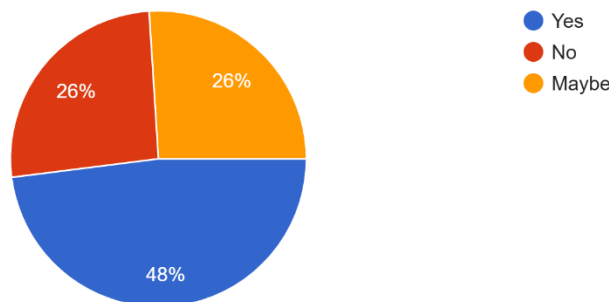


Fig. 17: Prefer ability of receiving more information about investment.

4. Potential Results and Implications

Given the extensive media coverage and growing prominence of crypto currencies, it is **clear** that the empirical findings lead to the **rejection of the null hypothesis (H0) and acceptance of the alternative hypothesis (H1).**

From the above data, it is clear that traders are aware about crypto currency as an investment option yet they aren't ready to invest in it due to high market volatility, lack of knowledge about technology and etc.

However, the degree of awareness and the nuances revealed through the survey is crucial for drawing meaningful implications.

Moderate Awareness (40-70% of traders report awareness).

- **Implications:** This scenario indicates that awareness is present but not universally pervasive. This suggests:
 - **Targeted Awareness Campaigns:** There is still a need for initiatives to further increase awareness, particularly among trader segments with lower awareness levels (identified through subgroup analysis).
 - **Information Dissemination:** Efforts should focus on disseminating accurate and balanced information about crypto currencies through trusted and accessible channels for traders.
 - **Addressing Information Gaps:** Research should investigate the reasons for limited awareness among certain trader segments. Are there barriers to information access, or are there specific demographic or experience-related factors at play?

- **Early Adopter Dynamics:** Understanding the characteristics of traders who are aware and potentially early adopters can provide insights into future adoption trends and market dynamics.

5. Conclusion

This paper has presented a framework for investigating the awareness of crypto currency as an investment option among financial traders. By formally stating the null and alternative hypotheses and outlining a potential methodological approach using survey research, this study aims to contribute to a clearer understanding of crypto-awareness within a crucial segment of the financial ecosystem. While we are rejecting the null hypothesis and finding evidence of trader awareness based on current market trends and media coverage, empirical investigation, it is essential to quantify the level of awareness and understand its nuances.

The results of the study have significant implications for various stakeholders, including crypto currency market participants, financial institutions, regulatory bodies, and educators. Depending on the level of awareness identified, the findings will inform strategies for market development, investor education, risk management, and the formulation of appropriate regulatory frameworks for the evolving crypto currency landscape.

Future research should build upon this foundational study by exploring the depth of understanding among aware traders, investigating factors influencing adoption decisions, and examining the impact of trader awareness on crypto currency market dynamics and overall financial market stability. Furthermore, longitudinal studies could track the evolution of trader awareness over time and assess the effectiveness of awareness campaigns and educational initiatives.

6. Bibliography

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