## Financial Literacy and Investment Decision in Cryptocurrency - The Moderating Role of Experience

**Panneer Mareeswaran,**

*Student,*
*Firebird Institute of Research in Management,*
*Chettipalayam, Coimbatore – 641201.*

**Dr.P. Srinivas Rao**,

*Professor &  Director,*
*Firebird Institute of Research in Management,*
*Chettipalayam, Coimbatore – 641201.*

**Abstract**

This Cryptocurrency has quickly evolved as a revolutionary asset class, drawing both new and experienced investors because to its potential for large returns and inherent volatility. This study investigates the complex link between financial literacy and cryptocurrency investing decisions, with a special emphasis on the moderating influence of investment experience among Indian investors. Despite the rising interest in digital currencies such as Bitcoin and Ethereum, there is still a substantial gap in understanding the elements that influence investing behaviors in this sector, particularly in terms of financial literacy and experience. Using a mixed-methods approach, this study examines how 300 Indian investors' financial literacy effects their bitcoin investing decisions. The study also looks at the influence of investment experience on this link, with demographic characteristics like age, education, and income acting as possible moderators.

## I.INTRODUCTION

The study's fundamental elements, such as its background, justification, and importance, will be covered in the Introduction. This chapter will give a summary of the research topic, questions, and objectives as well as a plan of action for the study. The study's history will be covered first, along with

pertinent data and trends on bitcoin investment behavior, financial knowledge, and investment expertise. The research challenge, the questions we hope to answer, and the study's goals will all be thoroughly stated after that. To lay the groundwork for the upcoming chapters, the chapter will also discuss the importance and extent of the research. In conclusion, a comprehensive study framework will be showcased, along by definitions of crucial terminology and an overview of the topics covered in this chapter and those that will be explored in Review and literature.

**Research Problem**

**Identifying the Problem:**

Lack of a thorough knowledge of how investment experience and financial literacy affect cryptocurrency investment decisions is the main study challenge. Previous research has primarily concentrated on conventional financial markets, offering a scant understanding of the emerging and quickly changing field of digital currencies.

**Importance of Addressing the Problems:**

Investors may continue to suffer high risks as a result of insufficient information and experience if this research gap is not filled. This could result in monetary losses and a decline in confidence in cryptocurrency markets. Additionally, because of this disparity, governments are less able to create laws and educational initiatives that effectively promote a secure investment climate.

**Consequences for Indian Investors:**

If this gap is not closed, Indian investors may be more susceptible to fraudulent schemes and market volatility. Additionally, it can hinder the potential advantages of cryptocurrencies, such as financial inclusion and portfolio diversity, by slowing down their uptake.

**Supporting Evidence:**

Several reports from different sources show that a sizable section of Indians is not financially literate, which is linked to making bad investment choices. For example, only 27% of Indians are financially literate, according to a National Centre for Financial Education (NCFE) survey. This emphasizes how urgent it is to solve the research issue to protect and empower investors.

**Research Objectives**

1. To investigate how financial literacy affects Indian investors' choices about cryptocurrencies.
2. To look into how investing experience affects the way financial literacy and bitcoin investment choices are correlated.

**Significance of the Study**

**Importance of the Study:**

This work is important because it fills a knowledge gap on the factors that influence Bitcoin investing decisions. The study offers insights that can assist investors in making educated decisions, thereby reducing risks, by analyzing the roles of investment experience and financial literacy.

**Need for the Study:**

Considering the growing interest in cryptocurrencies, it's critical to give investors the knowhow they need to successfully negotiate this challenging market. The goal of this research is to close the current knowledge gap and add to the corpus of work on digital currency.

**Purpose of the Study:**

The main goal of this research is to investigate how investing expertise and financial literacy affect Bitcoin investment choices. The results will help to create a better safer and knowledgeable investing environment by having practical ramifications for investors, educators, and legislators.

**Scope of the Study**

This study's focus is on the relationship between cryptocurrency investment decisions, investment experience, and financial literacy, and it is limited to the Indian setting. A sample of Indian investors will be used in the study, and statistical analysis will be used to produce insightful results. The factors being examined are investment experience (moderating variable), financial literacy (independent variable), and bitcoin investment decisions (dependent variable). This exclusive emphasis prevents results from being extrapolated to other financial markets or nations, allowing for a thorough and contextual knowledge of the research subject inside India.

## Literature Review

**Liu & Wang (2023)** conducted an extensive bibliometric analysis of existing research on cryptocurrency investments. Their study systematically reviewed the literature to uncover the various factors that impact investment decisions in the cryptocurrency market. The authors found that investor behavior plays a crucial role, influencing how individuals make decisions and manage their portfolios. They emphasized that portfolio diversification is essential to mitigate risks associated with cryptocurrency investments, given the market's inherent volatility.

**Patel & Singh (2022)** conducted a comprehensive review of existing literature to investigate the various factors affecting cryptocurrency pricing, particularly distinguishing between demand-side and supply-side influences. Their analysis demonstrates that demand-side factors, such as market sentiment and investor behavior, significantly outweigh the impact of supplyside factors in determining cryptocurrency prices.

**Hackethal et al. (2021)** explore the complex dynamics between financial literacy, risk tolerance, and the Fear of Missing Out (FoMO) in the context of cryptocurrency investments. Their study, grounded in Modern Portfolio Theory (MPT), examines how financial literacy influences investors' understanding of cryptocurrencies' risk-return profiles. They find that while financial literacy is crucial for comprehending the intricacies of cryptocurrency investments, it does not always protect investors from the emotional impact of FoMO.

**Nguyen & Chang (2020)** delve into the development of a Cryptocurrency Literacy Scale, focusing on the need for a systematic and empirical approach to assessing cryptocurrency knowledge. They aim to address the gap in reliable tools for measuring how well individuals understand cryptocurrency concepts, which is crucial for making informed investment decisions and managing risks effectively. Their research is grounded in educational theory, ensuring that the scale is not only theoretically sound but also practically applicable.

## Research Methodology

We will start by talking about the theoretical framework that guides the research. The links between the independent variable (cryptocurrency investment behavior) and the dependent variables (financial literacy and investment experience) will be thoroughly examined in this section. The development of hypotheses and the interpretation of findings are guided by the theoretical framework, which offers a basis for comprehending how various factors interact and influence one another.

## Hypotheses

➢ H0: Financial literacy has no significant effect on cryptocurrency investment behavior in India.

➢ H1: Financial literacy has a significant effect on cryptocurrency investment behavior in India.

## Research Design

A study's research design serves as its guide. It describes the steps required to get the data required to organize or resolve research issues. It offers a structure for gathering, calculating, and analyzing data. The study on "Financial Literacy and Investment Decision in Cryptocurrency - Moderating Role of Experience" has chosen a mixed-methods research design that integrates quantitative and qualitative techniques to offer a thorough comprehension of the phenomenon being studied.

## Sampling Technique

Convenience Sampling: This method will be employed since it is feasible and accessible to participants who satisfy the requirements for cryptocurrency investment. Data from an easily available sample of respondents can be gathered by convenience sampling, which is useful for this study because of its specific emphasis on cryptocurrency investors.

## Data Collection

An online poll will be used to gather data, which will then be disseminated via email and social media. In order to make it easier for people to access and respond, the poll will be posted on websites like Google Forms

➢ Distribution of the Survey: The survey link will be disseminated via academic networks, investing forums, cryptocurrency groups, and personal contacts.

➢ Data Collection Period: In order to guarantee a sufficient number of replies, the data collection period will last roughly three months.

➢ Follow-Up: To promote participation and survey completion, follow-up reminders will be given.

**Data Analysis**

## Table - 1 Demographic Information of Respondent

| | | Frequency | Percent (%) | Cumulative Percent (%) |
|---|---|---|---|---|
| **AGE** | Below 30 | 21 | 7.0 | 7.0 |
| | 30-35 | 35 | 11.7 | 18.7 |
| | 36-40 | 78 | 26.0 | 44.7 |
| | 41-45 | 98 | 32.7 | 77.3 |
| | Above 45 | 68 | 22.7 | 100.0 |
| **EDUCATIONAL QUALIFICATION** | UG | 48 | 16.0 | 16.0 |
| | PG | 161 | 53.7 | 69.7 |
| | Diploma | 33 | 11.0 | 80.7 |
| | Professional | 48 | 16.0 | 96.7 |
| | Others | 10 | 3.3 | 100.0 |
| **EXPERIENCE IN INVESTING CRYPTOCURRENCY** | Below 5 Years | 249 | 83.0 | 83.0 |
| | 5-10 Years | 35 | 11.7 | 94.7 |
| | Above 10 years | 16 | 5.3 | 100.0 |

**Interpretation:**

The respondents' demographic data is displayed in Table 4.2.1. According to the table, 7.0% of respondents are under 30 years old, 11.7% are between 30 and 35 years old, 26.0% are between 36 and 40 years old, 32.7% are between 41 and 45 years old, and 22.7% are beyond 45 years old. 16.0% of respondents have an undergraduate degree, 53.7% have a postgraduate degree, 11.0% have a diploma, 16.0% are professionals, and 3.3% have other qualifications that do not relate to education. This information is based on the respondent's classification of educational qualification. 83.0% of respondents said they had less than five years' experience investing in cryptocurrencies,

11.7% said they had between five and ten years' experience, and 5.3% said they had more than ten years. According to the categorization of respondents' yearly income, 27.3% of respondents make less than Rs. 5,00,000, 40.0% make between Rs. 5,00,000 and Rs. 10,00,000, 22.0% make between Rs. 10,001 and Rs. 15,00,000, and 10.7% make more than Rs. 15,00,000.

**Chi-Square Methodology**

**Relationship between cryptocurrency investment behavior and financial literacy**

➢ Null hypothesis (H0): Indians' bitcoin investment behavior is not significantly impacted by financial knowledge.

➢ Alternative hypothesis (H1): Indians' bitcoin investment behavior is significantly influenced by their level of financial literacy.

➢ There is a 5% significance level.

| Case Processing Summary | | | | | | |
|---|---|---|---|---|---|---|
| | Cases | | | | | |
| | Valid | | Missing | | Total | |
| | N | Percent | N | Percent | N | Percent |
| Financial Literacy * Cryptocurrency Investment Behavior | 300 | 100.0% | 0 | .0% | 300 | 100.0% |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2sided) |
| Pearson Chi-Square | 246.512[a] | 156 | .000 |
| Likelihood Ratio | 180.789 | 156 | .085 |
| Linear-by-Linear Association | 7.143 | 1 | .008 |
| N of Valid Cases | 300 | | |
| a. 166 cells (91.2%) have an expected count of less than 5. The minimum expected count is .01. | | | |

**Interpretation:**

The chi-square statistic comes in at 246.512, the degree of freedom is 156, and the pvalue is zero from the above table. The alternate hypothesis is rejected and the null hypothesis, which states that the two variables are not independent of one another, is accepted because the p-value is less than the conventional

alpha value. Simply said, the data indicates that financial literacy has no discernible impact on Indian investors' decisions to purchase cryptocurrencies, so the outcome is not significant.

## Discussion Reserch Findings, Limitations and Conclusion

## Discussion of Research Objectives and Research Findings

### Objective 1

Objective 1: To investigate how financial literacy affects Indian investors' choices about cryptocurrency.

Hypothesis 1: There is a significant relationship between financial literacy and cryptocurrency investment behavior

The study showed that research objective 1 is answered by hypothesis 1 where the researcher examined the relationship between financial literacy and cryptocurrency investment behavior. The *p*-value is 0. The *p*-value is smaller than the standard alpha value, so we reject the alternate hypothesis and accept null hypothesis that asserts the two variables are not independent of each other. This means there is no significant relationship between financial literacy and cryptocurrency investment behavior in India. Therefore, the hypothesis 1 is rejected.

### Objective 2

Objective 2: To look into how investing experience affects the way financial literacy and bitcoin investment choices are correlated

Hypothesis 2: There is a significant relationship between investment experience and cryptocurrency investment behavior

The study showed that research objective 2 is answered by hypothesis 2 where the researcher examined the relationship between investment experience and cryptocurrency investment behavior.

The p-value for this correlation coefficient is 0. Because $p < .05$, accept the null hypothesis and conclude that the relationship is statistically not significant. This means there is no significant relationship between investment experience and cryptocurrency investment decisions among Indian investors. Therefore, the hypothesis 1 is rejected.

**Limitations of the Study**

The study's sample consists solely of Indian investors. This geographical focus may limit the generalizability of the findings to other regions with different economic, cultural, and regulatory environments. As a result, the conclusions drawn may not fully apply to investors in other countries.

The research collected data from 300 respondents. While this provides a substantial amount of data, it may still be insufficient to capture the full diversity of investment behaviors and literacy levels among the broader population of cryptocurrency investors, particularly in a market as dynamic and heterogeneous as India.

The study relies on self-reported data from respondents regarding their financial literacy and investment decisions. Self-reported data can be subject to biases, including social desirability bias, where respondents may overstate their knowledge or experience to present themselves in a more favorable light.

Data collection was conducted over a relatively short period of 3 months. This limited timeframe may not capture the evolving nature of financial literacy and investment behavior in the rapidly changing cryptocurrency market.

The questionnaire and research materials were administered in English. This could pose challenges for respondents with limited proficiency in English, potentially affecting the accuracy and reliability of their responses. The language barrier may have excluded a segment of the population, leading to biased results.

## II.CONCLUSION

Cryptocurrency has emerged as a revolutionary financial asset class, capturing the attention of investors worldwide. Its decentralized nature, potential for high returns, and innovative technology have made it a popular choice among both novice and seasoned investors. In this rapidly evolving landscape, financial literacy plays a critical role in enabling individuals to make informed investment decisions. However, the relationship between financial literacy and investment decisions in cryptocurrency is complex and influenced by various factors.

## III.REFERENCES

1. **Nalkande, S. (2022, August 31).** Social media's impact on consumer behavior. Times of India Blog. Retrieved October 13, 2022
2. **Nayar, V. (2022, August 3).** What is the scope of social media marketing in India in 2022? Aviv Digital. Retrieved October 13, 2022

3. **Permatasari, A., & Kuswadi, E. A. (2017).** The Impact of Social Media on Consumers' Purchase Intention: A Study of Ecommerce Sites in Jakarta, Indonesia . SSRN Electronic Journal.

4. **Permatasari, A., & Kuswadi, E. A. (2020).** The Impact of Social Media on Consumers' Purchase Intention: A Study of Ecommerce Sites in Jakarta, Indonesia

5. **Ringim, K. J., & Reni, A. (2019).** Mediating effect of social media on the consumer buying behaviour of Cosmetic Products. Proceedings of the 3rd International Conference on Accounting, Management and Economics 2018 (ICAME 2018).

6. **Wibowo, A., Chen, S.-C., Wiangin, U., Ma, Y., & Ruangkanjanases, A. (2020).** Customer behavior as an outcome of social media marketing: The role of social media marketing activity and customer experience. Sustainability, 13(1), 189.