



# Does Crypto Currency Market Dance, Volatile & Addicted to The Youth- An Empirical Analysis Using Market Survey Approach

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## Abstract:

Cryptocurrency is a digital coin money of a country which is established electronically in which methods are accepted for encoding and are recycled to manage the whole of created money and it is also beneficial to check the transaction of cash which are performing its function freely and without any restrictions of a central bank. Demonetization of currency in year 2016 by Modi government transformed the movement towards tradition of digital payment methods in India. Though it was vigorous decision for country like India where 90% of the transactions are in cash, people accepted digital mode of payments in short duration of time. Today, in the financial and other fields, the blockchain has already played its advantages. Cryptocurrency (crypto) is a type of digital currency which is unregulated and runs on the blockchain technology. Some of the more popular crypto are Bitcoin, Litecoin, Ethereum, Ethereum Classic, Dogecoin and Shiba Inu. With the use of cryptography, transactions using crypto are secured and the transfer of assets is verified. Blockchain also helps secure crypto by preventing the emergence of forges. In this paper, we focus on the related research and applications of blockchain technology in the field of intellectual property and crypto currency market, and try to provide a new feasible direction for crypto currency market in India. This study also focused on conducting the market survey to know the pulse of crypto currency market among the youth and others.

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## I. Introduction

A digital coin of the country in which the encryption methods are being observed to determine the creation of whole of paper money and prove the validity of transaction of money, worked freely for a central bank. So, we can say that this definition can be used to define cryptocurrency which is the other assets of currency to be kept by the peoples. It does not also designate some of the things. So, we can say that a cryptocurrency can be said as another way of assets coin which is digital for which group of people have specifically agreed that it has somevalue. It has all the basic element of currency but there is no real value of cryptocurrency and still people take it as an investment for their needs. We all exchange the things in terms of money exchange like dollar, euro, rupees etc. In older century the

exchange of services is with wheat and rice grains, which added the value of services interms of grains in barter system and vice versa between buyer and seller. These current techniques are a failure as the person who is the agent can easily fool the consumer with the actual value of the wheat and the services taken by him. At present we use the currency which is in printed form. So, we all know the actual value of both wheat and services, and now consumer can buy the things easily in exchange of the money he owns. Basically, currency note gave the solution to the problem of exchange system of wheat and services in older times. And now we see easily the future of the digital currency in the coming future. Cryptocurrency can be traced as a written construction back in the days of its first digital substitute currencies. In the beginning

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cryptocurrency advocate common ambition of applying maths and computer science assumption to clarify what they attain as realistic and political weak points of the traditional “fiat” currencies.

### Occupational Foundation

Cryptocurrency occupational foundations can be evidence in the ancient days in 1980s by a famous cryptographer who is American named as David Chaum who invented the blinding algorithm innovation that act as a central to modern web-based encryption. The algorithm grant for safe, no changing facts which barter between parties, creating the groundwork for forthcoming electronic money transaction. This can be defined as blinded money. In the end of 1980s, Chaum recruited ewother cryptocurrencies addicted in an effort to develop as a business the concept of blinded money. After moving to the Netherland, he established Digi Cash, a profit gain organization that originated whole of currency located in the blinding algorithm. As in case of Bitcoin and other present cryptocurrencies, the control of DigiCash wasn't decentralized. The company of Chaum's had a monarchy on the authority which is same as to the central bank monarchy on the fiat currencies. Bitcoin as we all know and heard of is the first modern and present cryptocurrency. It is used publicly as an exchange mean to control the decentralized area, the invisibility of users, keep track of the record via using blockchain and to build the scarcity. A person or group in 2008 established white paper which is not known till date and after that person in 2009 released Bitcoin publicly and group of people and supporter started using it asa mining and exchange of money in the world After that in the end of 2010 another digital currency gained popularity as an alternative of the Bitcoin which is Litecoin.

### Types of Crypto currencies

- **Bitcoin**– Bitcoin is the cryptocurrency which is worldwide payment system. It is the currency which is decentralized digital currency as the central bank system not worked in this and there is no administrator which is single in it. There is peer to peer networking and all the transfer of digital currency took place without any help of intermediary. The

transfers which occurred are properly verified by the network codes which use special kind of cryptography and blockchain record has been made for the ledger of the public distribution. An unknown person or group of people released the Bitcoin and it created the software which is open source in the year 2009.Bitcoin cryptocurrency is used as a process of rewarding which is known as mining. This thing can be used for as a mean of exchange for other currencies, products and services. Over one lakh merchants and vendors accepted bitcoin as payment method from February 2015.

- **Ethereum**- Ethereum can also be defined as Ether because of its generation on the platform of Ethereum. It is like platform which is public with source opening and has blockchain computing. Smart scripting facility is also available in it. It works based on the version which is modified in crypto currency and has transaction-based payment system. It was first set up in the year 2013 by Vitalik Buterin who was a computer programmer and was also the researcher in cryptocurrency. Ethereum software development was funded by a crowd sale between July and august 2014 also developed a system that goes live on 30 July 2015. Earlier in the first step 11.9 million coins was premined for the crowd sale and its circulation increases with almost 13% of its total circulation of currency. The price of Ethereum grew in the past years of 2014 to 2017.
- **Litecoin** – Litecoin is that cryptocurrency which is giving tough competition to the leading development of Bitcoin currently and the main agenda to design Litecoin was to do the transaction for the smaller value in a fast way. Litecoin was found in the year 2011 and the founder of Litecoin was Charles Lee. The main difference between Litecoin and Bitcoin is that for the Bitcoin mining process is very heavy and the fast computing is required on the other hand Litecoin normal desktop computer with slow processing is enough. As comparison to Bitcoin, today Litecoin is four times bigger that is 84 million.
- **Ripple** – Ripple was established in the year 2012 by a company named Open Coin with



its founder Chris Larsen. It is a cryptocurrency which worked same as payment method like Bitcoin. The mechanism payment method of Ripple is very fast which enables the funds transfer in any currency to another user on the ripple network within seconds.

### Review of Literature

In a systematic review conducted by (Adler, 2019) it was found that out of 54 articles which were peer reviewed, it was found that about 64% were conceptual articles and 35% were empirical studies. About one third of the articles were related to regulatory environment and many of these studies suggested the need for regulations in cryptocurrency dealings. In a research study (Yuneline, 2019) tried to analyse the nature of cryptocurrency based on characteristics of money, legal perspective, economic perspective and Sharia perspective. Using secondary data from peer-reviewed articles it found that cryptocurrency has all the characteristics of money but under the legal perspectives of the cryptocurrency does not fulfil all the characteristics of a currency. The study also covered the social implications of cryptocurrency and it being used as a tool for speculation.

In a study the researcher (Chinthapalli, 2021) has tried to compare the prediction effects on volatility between the hybrid GARCH and ANN models of cryptocurrencies and FOREX currencies. The research is focused on secondary data obtained on the websites concerned. Traded financial asset prices were taken into consideration. Data are derived from the capitalization of cryptocurrency, from FOREX sector capitalization for FOREX currencies. In their research study, (AlTaei, 2019) the researchers have provided a summary of the theory used to build distributed ledgers. The research study shows how building distributed ledger, or blockchain, has enabled software developers to create digital currencies which operate without the need of central financial institutions. The study also reveals how distributed consensus method can be used to enforce other rules on digital assets. They have also summarized their work and proposed solutions to address various issues surrounding blockchain technology

Cryptocurrency fraud has become a growing global concern, with an increase in the frequency of and losses from cryptocurrency scams. Despite increasing fraudulent activity involving cryptocurrencies, research on the potential of cryptocurrencies for fraud has not been examined in a systematic study. The research study conducted by (Arianna Trozze1, 2022) examines the current state of knowledge about what kinds of cryptocurrency fraud currently exist, or are expected to exist in the future, and provides comprehensive definitions of the frauds identified. In a systematic review conducted by (Adler, 2019) it was found that out of 54 articles which were peer reviewed, it was found that about 64% were conceptual articles and 35% were empirical studies. About one third of the articles were related to regulatory environment and many of these studies suggested the need for regulations in cryptocurrency dealings. Acceptability of crypto currencies was the next major theme of journal articles. In a research study (Yuneline, 2019) tried to analyse the nature of cryptocurrency based on characteristics of money, legal perspective, economic perspective and Sharia perspective. Using secondary data from peer-reviewed articles it found that cryptocurrency has all the characteristics of money but under the legal perspectives of the cryptocurrency does not fulfil all the characteristics of a currency. The study also covered the social implications of cryptocurrency and it being used as a tool for speculation. In a study the researcher (Chinthapalli, 2021) has tried to compare the prediction effects on volatility between the hybrid GARCH and ANN models of cryptocurrencies and FOREX currencies. The research is focused on secondary data obtained on the websites concerned. Traded financial asset prices were taken into consideration. Data are derived from the capitalization of cryptocurrency, from FOREX sector capitalization for FOREX currencies.

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The research study conducted by **(Arianna Trozze1, 2022)** examines the current state of knowledge about what kinds of cryptocurrency fraud currently exist, or are expected to exist in the future, and provides comprehensive definitions of With the Indian Economy completely overwhelmed from the second wave of the Coronavirus it is a very beneficial time to add this uplifting factor of cryptocurrency into the market. This move is likely to induce multiple new start-ups based on blockchain and many more Indian Intermediary platforms apart from Wazirx. However, with the central bank also introducing its own cryptocurrency. It is very much possible that elimination of intermediary happens as banks and financial institution involve themselves in cryp to currency directly. It was also found that Cryptocurrency aspects can be patent eligible, because the technology is relatively new there is limited case law to rely on from any courts. the frauds identified.

### **Objectives of the study**

- To identify the nature and threats of Crypto currency market.
- To study the factors influencing on investment in crypto currency market
- To identify the reasons of volatility in crypto currency through qualitative approach.

### **Analysis and Findings**

#### **India's Crypto Story**

India's use of cryptocurrency was observed at the crucial stage in 2017 when the increase in the usage of crypto became so noticeable that the Reserve Bank of India along with the Ministry of Finance bumped in the scene with a warning for the general public declaring that crypto is not legitimate or legal. However, it

just a caution and no legal action or outcome was stated by the RBI that time. In 2018 the RBI issued a circular striking a blanket ban on cryptocurrency, prohibiting all the banks and financial institutions whether commercial or finance in nature to deal in digital currency or enabling transactions for/on the same. RBI's justification behind this move, as cited by them, was to protect the interests of the people along with preserving market truthfulness and keeping money laundering in form. This move caused disorder in the market leading prices to fall due to people selling their holding in India. The Internet and Association of India (IMAI) challenged the said circular before the Supreme Court claiming that the circular violated the principle of fairness and equality of opportunity.

In March, 2020 the Supreme Court gave a decision in this case in the matter of Internet and Association of India vs. Reserve Bank of India, it lifted the blanket ban on cryp to currency which was imposed by the RBI through its 2018 circular. It was a welcome decision for crypto traders in India. Recently, on 31 May, 2021 the RBI through another circular repeated the point held in the IMAI judgment and asked banks to not refer to RBI's 2018 circular anymore. This circular has again highlighted the current legal status of cryp to currency in India i.e. unregulated. There is special act in place in India for the regulation of Cryptocurrency. However, due to the nature of cryptocurrency, some already existing Indian Laws may be applicable like Prevention of Money Laundering Act, 2002, Securities Contracts Act, 1956 etc. Moreover, apart from regulation the legal uncertainty is also present in the sphere of Intellectual Property and cryptocurrency in India. So this study focus on the importance of intellectual property rights in the Indian Crypto currency market.

### **Threats Regarding Crypto Currency**

Cryptocurrency when it was being used for the first time, no one knows about it and only handful of persons knows what crypto currencies is. It was mostly used to do illegal deals by drug dealers, smugglers and black marketers for the transaction of their funds as it is the safest, untraceable and fastest method to do all over the world. After the introduction of new cryptocurrencies in the market, few



companies started taking interest in the digital mode of cryptocurrencies and invented their own cryptocurrencies like Litecoin etc. India assets in digital world has grown tremendously in the last few years but it also going through a phase of uncertainty. Uncertainties also created various types of complications in the industry of digital assets in country mainly for the digital exchanges. Various exchanges of digital had a mission to involve India into blockchain technology but as per the new RBI guidelines, banks have been told to not to continue with any services which involves virtual currencies which leaves all the virtual currencies into the question of legal challenge. It is also a warning sign for all the investors who will deal with these types of virtual cryptocurrencies.

**There are many risks involve in investing cryptocurrencies: -**

- Entrance is wide, but exit is narrow-As clear from the heading it is easy to invest in Bitcoin because all the things have been done digitally so it creates a less barrier for the cryptocurrency and a very high risk to exist from the digital world of Bitcoin.

- Intangible and Unsecured-The intangible and unsecured form of nature of cryptocurrencies. The blockchain technology-based cryptocurrencies has eliminate the bank and banker which can act as an intermediary in between and which can also solve the issue of unsecured cryptocurrency, but this feature captured the thing of security which can be assured by banks.
- Manipulation by extortion-even though the amount is nominal there is no way that the investors will not be prepared in any way to lose their ownership as a crypto holder and they easily become victim of social engineering as well as misinformation risks. So, market manipulation and extortion risk are more common in the investment of cryptocurrency.

**Factors Influencing Crypto currency market**

Market survey was conducted among the public male and female respondents taken from the Metro city and made an analysis. Details of the analysis are given here

Factors	Between Group (Mean Square)	Within Group (Mean Square)	Significance	Accepted/ Rejected
Knowledge & Awareness	.390	1.970	.641	Accepted
Security& safety	9.234	16.751	.752	Accepted
Risk perception	58.79	24.31	.032	Rejected

On gender basis, it was found that there is significant relationship between risk perception and investment decisions since the p value is .032 which is below 0.05. This tells that the investments decisions in cryptocurrencies of males and females are influenced only by risk perception. Females are not as ready as males to take risk when it comes to investments in cryptocurrency. With regard to the future of cryptocurrencies majority states hat paper currency will be replaced by cryptocurrencies in future. Absence of government regulations may lead to irregularities in transaction in cryptocurrencies. All young investors suggests that investments in cryptocurrencies would besafe if brought under government control. More than 90 % of respondents were of the opinion that they would invest in cryp to currencies if crypto market is regulated. Below diagram shows the interest in crypto currency market from 2017- 2022.

**Does Crypto currency dance to tunes of repo rate**



These are digital payment system that does not rely on banks to verify transaction. It is an individual-to-individual system that enable anyone to send or receive payments. Bitcoin is the first cryptocurrency which was introduced in 2009 and still remains the best today. Other classes of cryptocurrency include- Ethereum,



Dogecoin, Litecoin, Ripple, Binance Coin, Tether, Solana and so on. The operations of are based on the blockchain technology which refers to the computer code that records crypto to currency transactions. Blockchains record cryptocurrency transactions in encrypted, digital records that live on servers all around the world.

Studies prove that within 5-10 years cryptocurrencies will be globally used as a medium of exchange in international market. A lot of people are using cryptos and they are enjoying the huge amounts of returns that they get from the cryptos. The cryptos are now accepted in online shopping and they are used to transfer as a payment in terms of money. Expert opinion states that the repo rate reduction did not create any massive impact on the Sensex and Nifty points. Because majority of the people locked their funds in cryptocurrencies and other assets. In the union budget 2022, Honourable FM Srimati Nirmala Sitharaman said that a tax rate of 30% will be charged on every transaction made on cryptocurrencies and also stated that RBI will introduce cryptocurrencies in the near future.

In global market, cryptocurrencies are widely accepted and countries like India, China etc. are use actively participated in cryptocurrency transaction. China has banned the use of cryptocurrencies and they have been completely prohibited. But in USA and other developed countries cryptocurrencies have a popularity. This is mainly because of the attractive returns provided by it. According to the reports India already has the highest number of crypto owners in the world at 10.07 crore. India's population, especially the youths drive crypto market and bringing growth. People will take the advantage of repo cut to invest more money in the cryptocurrencies mainly because of the huge returns that they get. Therefore, it will badly affect the stock markets and economy. Stock Market plays a crucial role in the Indian economy and when inflows are there it will create a huge impact on the capital account of the BOP statement. When the inflows are more than the outflows it will create a massive growth in the economy.

As per reports, crypto is the future and we can see that crypto becoming the primary player

fuelling the country's economy. Therefore, the cryptocurrency cannot be ignored. Even the government cannot do anything against crypto because it will adversely affect the economy of the country. Youth will join in crypto currency market, when the market is regulated that will lead to the boom period of this market.

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