

## **A Study On The Impact Of Government Regulations On Cryptocurrency Investment**

**S. Jenifa Sherlin<sup>1</sup>, Dr. P. Christopher Raj<sup>2</sup>**

<sup>1</sup>Research Scholar (Reg.No:22213161012005), Department of Commerce, Scott Christian College (Autonomous), Nagercoil-3, (Affiliated to Manonmaniam Sundarnar University, Abishekapatti, Tirunelveli-627012), E-mail: sjenifasherlin@gmail.com, Mobile Number: 8608841531.

<sup>2</sup>Assistant Professor, Department of Commerce, Scott Christian College (Autonomous), Nagercoil-3, (Affiliated to Manonmaniam Sundarnar University, Abishekapatti, Tirunelveli-627012)..

**How to cite this paper as:** S. Jenifa Sherlin , Dr. P. Christopher Raj (2023) A Study On The Impact Of Government Regulations On Cryptocurrency Investment *Library Progress International*, 3288-3292

### **ABSTRACT**

Cryptocurrency is becoming a popular investment portfolio among people due to its high return potential. However, government regulations play a major role in influencing investment decisions. This study examines how rules, laws, and policies affect investor behaviour, confidence, and risk perception. It also explains both positive and negative impacts of regulations. Percentage analysis, mean score and ranking methods were used for analysis. The results show that clear regulations increase trust, while unclear rules create confusion among investors. This study also highlights the importance of investor awareness in understanding regulatory changes. It emphasizes that proper awareness can reduce risks and improve decision-making. The research further suggests that balanced regulations can support both investor protection and market growth.

### **INTRODUCTION**

Cryptocurrency is a digital currency that is used for investment and online transactions. In India, many people are showing interest in investing in cryptocurrency because of its high return potential. But at the same time, it is risky due to price fluctuations and lack of full regulation. Government regulations implement and rules made to control cryptocurrency activities. The RBI guidelines and the central government taxation rules help to protect the safety of the cryptocurrency investors. RBI repeatedly warned the cryptocurrency investors regarding the financial instability, risk, fraud, money laundry risk and price volatility risk. A proper regulatory system can protect investors from fraud and increase confidence in the market.

### **STATEMENT OF THE PROBLEM**

Even though cryptocurrency investment is growing, many investors face problems due to unclear government regulations. One of the main reasons for government regulation is to keep the financial system stable. Cryptocurrencies change in price very quickly, which can cause losses for investors and affect the overall market. Regulations help control these risks and make the environment safer. By studying these regulations, policymakers can understand whether they are effective in protecting the economy from financial problems. Investors protection is important in cryptocurrency because there are risks like fraud, hacking and scams can cause losses, but government rules like KYC and AML help the investors safe and make the market more secure. Hence the attempt is made by the researcher to analyse the impact of government regulations on cryptocurrency investment.

### **REVIEW OF LITERATURE**

Tiwari Shashank and Kalangade Javed (2023) studied crypto currency regulations in emerging economies. They found that clear government rules increase investor confidence, trading activity, and market stability. Countries with unclear regulations showed high volatility and low participation.

Wu F (2023) explained that investor attention plays an important role in cryptocurrency markets. The study showed that investor decisions are influenced by market trends, information, and behavioural factors rather than only rational thinking.

Skwarek M (2022) conducted a study on investor behaviour and found that many cryptocurrency investors.

act irrationally due to biases and emotions. This shows that regulations are important to guide investor decisions

Sahu M (2022) studied psychological factors influencing crypto investors. The research found that personal attitudes, risk perception, and behaviour strongly affect investment decisions in cryptocurrency markets.

### OBJECTIVES OF THE STUDY

To analyse the opinion of the cryptocurrency investors towards the impact of government regulations

To analyse challenges faced by the cryptocurrency investors towards government regulations.

### HYPOTHESES OF THE STUDY

H<sub>0</sub>: There is no significant difference in investors opinions about different government regulations on cryptocurrency.

H<sub>1</sub>: There is a significant difference in investors opinions about different government regulations on cryptocurrency.

### RESEARCH METHODOLOGY

This study is based on both primary and secondary data.

**Primary Data:** Collected from 120 investors using a questionnaire

**Secondary Data:** Collected from websites, articles, and reports

**Sampling Method:** Snowball sampling

**Area of Study:** Kanyakumari District

### TOOLS USED FOR ANALYSIS

Percentage analysis

Weighted average ranking method

Mean Score analysis

Friedman test

### DATA ANALYSIS AND INTERPRETATION

The collected data was carefully analysed using suitable statistical tools. The results were then interpreted in a simple manner to draw meaningful conclusions for the study.

#### Demographic Profile of the Investors

This section describes the basic details of investors such as age, gender, education, occupation and monthly income.

**Table 1**

#### Demographic Profile

	Classification	Frequency	Percentage
Age	Below 20	4	3.3
	21 – 30	67	55.8
	31 – 40	23	19.2
	41 – 50	15	12.5
	Above 50	11	9.2
Gender	Male	92	76.7
	Female	28	23.3
Education	School level	8	6.7
	Undergraduate	46	38.3
	Postgraduate	53	44.2
	Others	13	10.8
Occupation	Student	26	21.7
	Employee	54	45.0
	Business	32	26.6

	Others	8	6.7
Monthly income	Below Rs. 20,000	6	5.0
	Rs. 20,000 – Rs. 40,000	35	29.2
	Rs. 40,000 – Rs. 60,000	58	48.3
	Above Rs. 60,000	21	17.5

Source: Primary data

Table 1 shows the Demographic Profile of the investors. Age wise classification shows that 55.8 percentage of respondents are in the age group of 21 – 30. Gender wise classification shows that 76.7 percentage of respondents are male. Educational wise classification shows 44.2 percentage of respondents are postgraduate. Occupation wise classification shows that 45 percentage of respondents are employees. Monthly income wise classification shows that 48.3 percentage of respondents are earning Rs. 40,000 – Rs. 60,000.

### Opinion on Impact of Government Regulations

This section examines investor’s opinion on the impact of government regulations on cryptocurrency by comparing different variables. The Friedman test is used to analyse the data and identify the most important factors.

Table 2

Opinion on Impact of Government Regulations

Opinion on Government Regulations	Mean Rank	Chi Square Value	P Value
Government regulations have increased awareness about safe crypto trading.	5.07	82.63	0.000**
Government regulations are necessary for the safe growth of cryptocurrency markets.	8.96		
Regulations help protect investors from fraud and scams.	7.80		
Government policies have improved transparency in cryptocurrency transactions.	7.32		
Regulations help prevent illegal activities such as money laundering.	6.74		
Strict regulations reduce willingness to invest in cryptocurrencies.	6.18		
Regulatory clarity increases confidence in crypto investment.	5.63		
Government taxation policies affect crypto trading activities.	8.45		
Government regulations reduce the risk involved in cryptocurrency investments.	4.54		
Regulations increase the stability of the cryptocurrency market.	4.01		

Source: Computed data

Note:\*\*Denotes significant at 1% level

Table 2 shows that, there is a significant difference in investors opinions about different government regulations on cryptocurrency. Among all the opinions, the statement that government regulations are necessary for the safe growth of cryptocurrency markets is a highest impact, followed by government taxation policies affect crypto trading activities and regulations help protect investors from fraud and scams

has a strong impact on their opinion regarding government regulations.

### Challenges Faced by Cryptocurrency Investors

This section focuses on the challenges faced by cryptocurrency investors in the market. The weighted average method is used to analyse and identify the most important problems faced by them.

Table 3

Challenges Faced by Cryptocurrency Investors

Factors	Mean Score	Ranks
Price Volatility	8.5	I
Regulatory Uncertainty	7.2	III
Security Risks	5.6	V
Lack of Knowledge	4.9	VI
Fraud and Scams	4.1	VII
Market Manipulation	7.4	II
Taxation and Compliance Issues	6.3	IV
Lack of Consumer Protection	3.8	VIII

Source: Computed data

Table 3 shows, biggest challenge faced by investors is price volatility, with a mean score of 8.5. Market manipulation is the second major issue, with a mean score of 7.4 followed by regulatory uncertainty as the third issue, with a mean score of 7.2.

### SUMMARY OF FINDINGS

Most of the investors are young, with 55.8% belonging to the age group of 21–30. The majority of the respondents are male (76.7%).

A large number of investors are postgraduates (44.2%) and are working as employees (45%).

Many of them earn a monthly income between Rs. 40,000 and Rs. 60,000 (48.3%).

Investors believe government regulations are important for the safe growth of cryptocurrency markets. They also feel that taxation policies and protection from fraud and scams strongly influence their opinions about cryptocurrency regulations.

Price volatility is the biggest challenge faced by investors. Market manipulation is the second major issue, followed by regulatory uncertainty, indicating that these factors greatly affect investors in cryptocurrency markets.

### SUGGESTIONS

Government should provide clear and stable rules

Rate of taxation should be simplified

Awareness programs should be conducted for investors

Strong security measures should be implemented in blockchain technology.

Investors should stay updated about regulatory changes

### CONCLUSION

RBI guidelines and central government regulations play a very important role in cryptocurrency investment. They help in increasing safety and trust, but unclear or frequently changing rules create confusion among investors. A balanced and stable regulatory system is necessary for the growth of cryptocurrency in India. Clear policies will encourage more investors and ensure safe investment practices.

### REFERENCES

- [1] Tiwari, S., & Kalangade, J. (2023). Cryptocurrency regulations in emerging economies and their impact on investor confidence and market stability. *International Journal of Financial Studies*, 13(2), 45–60.
- [2] Wu, F. (2023). Investor attention and behaviour in cryptocurrency markets. *Journal of Behavioral*

Finance, 26(1), 78–92.

- [3] Skwarek, M. (2022). Investor behaviour and irrational decision-making in cryptocurrency investments. *Finance Research Letters*, 58.
- [4] Sahu, M. (2022). Psychological factors influencing cryptocurrency investment decisions. *Journal of Economic Psychology*, 95.