Motives Driving Consumer Participation and Abstinence in the Cryptocurrency Market

Daniel L. Andruchow, BSc (Hons)[1]*; Roshni Sohail, BSc (Hons)[1]; Dennis L. Morrison, BSc[1]; Kyle A. Tuico, BSc (Hons)[1]; Daniel S. McGrath, PhD[1]

[1]Department of Psychology, University of Calgary, Alberta, Canada

Abstract

Background/Rationale: In recent years, the popularity of cryptocurrency has grown substantially. Increasingly, young adults are trading/investing in the numerous stable coins, meme coins, and altcoins that comprise this market. However, it remains poorly understood why young adults engage in or abstain from this volatile financial space. In the gambling literature, motivational models have usefully illustrated reasons for engaging in the activity. Moreover, self-generated responses have also demonstrated utility for identifying key motivations. As such, the goal of this study was to qualitatively identify top motives for cryptocurrency engagement and non-engagement using open-ended responses.

Methods: A sample of young adult cryptocurrency users, as well as a matched cohort of non-cryptocurrency users, were recruited from a university setting. Participants were asked to provide their top three reasons for using (or not using) cryptocurrency.

Results: Self-generated motivations in both groups were then categorized based on conceptual similarity. Level of cryptocurrency participation was also measured to compare how motives differed between casual versus more heavily involved cryptocurrency traders/investors.

Conclusions/Impact: Understanding the nature of young adults' involvement in cryptocurrency is essential to identifying those at greatest risk for making worse financial decisions. This information is also necessary for designing and informing cryptocurrency policy decisions.

Introduction

Background Information

- Cryptocurrencies are digital money systems that use cryptography to secure transactions between users[1]
- Verified transactions are stored on the blockchain (i.e., a large public ledger), allowing these systems to be open and transparent, and operate on a peer-to-peer basis, eliminating the need for a central authority (e.g., a central bank)[1]
- Advances of cryptocurrencies over standard fiat currencies include enhanced user efficiency, potential protection from inflation, etc.[1]
- However, drawbacks include price volatility, security concerns, etc.[2]
- With a global user base of about 300 million people[3], the growing presence of thousands of new cryptocurrencies[1], and developing new technology (e.g., non-fungible tokens (NFTs), blockchain-based games, etc.)[4], research within this financial sector has become increasingly necessary
- Recent research has found links between cryptocurrency investing and gambling behaviour (e.g., frequency of use, concurrent engagement of the two, etc.)[5]
- In the gambling literature, understanding peoples' drives (i.e., motives) has been a useful research and clinical tool[6]
- In the cryptocurrency literature, no studies that have directly investigated individuals' motives
- In the single study that addressed this topic, only Bitcoin users were considered, and users' perceptions were assessed using responses to a list of options predetermined by the authors[7]
- In the gambling literature, using open-ended approaches to study motives has been effective, and is known to minimize bias and the use of apriori assumptions[8,9]

The Current Study

- The aim of this exploratory study was to identify the key motives that help explain why some individuals have invested in cryptocurrencies, and conversely, why others have not

Methodology

Participants

Eligibility:
- Aged 18- to 30-years-old
- Verified U of C students

Sample:
- The overall sample (n = 219) included two subgroups: cryptocurrency investors (n = 117, M_{age} = 20.94 years, SD = 2.71, 60.7% male) and cryptocurrency non-investors (n = 102, M_{age} = 19.39 years, SD = 1.61, 81.4% female)
- There were no self-identified ethnic differences between the two groups; the entire sample consisted of mainly White (42.0%), South Asian (17.4%), East Asian (10.5%), and other ethnic groups (30.1%)

Materials & Procedure

- Investors and non-investors were administered different online surveys that assessed demographic characteristics, motives, and investment behaviours
- Motives were evaluated using an open-ended, self-generated format

Categorization & Analysis

- Motives were coded and categorized using the methods of past research[8,9] and were grouped based on conceptual similarity
- Frequencies of primary motives were reported

Results: Investment Behaviour

Table 1. Cryptocurrency behaviour amongst users (n = 117).

	n	% / M (SD)
Frequency of Use		
Less than once per month	50	42.7%
Once per month	30	26.6%
2–3 times per month	17	14.5%
Once per week	9	7.7%
2–3 times per week	4	3.4%
4–6 times per week	4	3.4%
Daily	3	2.6%
Money Spent (CAD)	--	$1,823 (3990) (range $10–30,000)
Frequency of Price Checking		
Less than daily or never	59	50.4%
Every few hours	47	40.2%
Hourly	5	4.3%
Multiple times per hour	6	5.1%
Coins Purchased		
Ethereum	82	70.1%
Bitcoin	77	65.8%
Dogecoin	46	39.3%
Cardano	24	20.5%
XRP	18	15.4%
Litecoin	16	13.7%
Solana	12	10.3%
Other(s)	30	25.6%

Results: Motives

Cryptocurrency Investors (n = 117)

Table 2. List of primary motives categories and examples for cryptocurrency users.

Motive Category	Frequency (%) n = 117	Examples
Opportunity for profit (OFP)	59 (50.4)	• "To make money" • "Profit motive"
Long-term investment (LTI)	34 (29.1)	• "Investing for my future" • "Capital appreciation"
Entertainment purposes (EP)	8 (6.8)	• "Is interesting" • "For fun"
Belief in future potential (BFP)	7 (6.0)	• "Utility" • "Decentralization"
Short-term investment (STI)	4 (3.4)	• "I wanted money quickly" • "To make a quick profit"
Social reasons (SR)	2 (1.7)	• "Lots of hype around cryptocurrency"
Reduce financial burden (RFB)	2 (1.7)	• "Pay off debts" • "Student loans"
Fear of missing out (FOMO)	1 (0.8)	• "FOMO"

Cryptocurrency Non-Investors (n = 102)

Table 3. List of primary motives categories and examples for non-cryptocurrency users.

Motive Category	Frequency (%) n = 102	Examples
Insufficient knowledge (IK)	45 (44.1)	• "I don't know what they are" • "Don't understand it"
Financial risk (FR)	30 (29.4)	• "Risky" • "Volatility, constantly fluctuating"
Lack of disposable income (LDI)	7 (6.9)	• "Don't have money to invest" • "Current financial situation"
Lack of interest (LOI)	6 (5.9)	• "Not interested" • "Waste of time"
Lack of trust in the infrastructure (LOT)	6 (5.9)	• "A lot of them turn out to be scams" • "Seems sketchy"
Ethical concerns (EC)	3 (2.9)	• "Environmental impacts" • "Crypto only benefits the rich"
Fear of losing money (FLM)	2 (2.0)	• "I'm afraid of losing my money" • "Anxiety"
Other (OTH)	2 (2.0)	• "Maintain myself" • "Security"
Prefer alternative investments (PAI)	1 (1.0)	• "More volatile than other stocks/investments"

Discussion

Conclusions/Impact

- Cryptocurrency investors are primarily motived by financial gain, distantly followed by entertainment reasons, and a belief in the efficacy of the technology
- Conversely, individuals who have abstained from the cryptocurrency market have withheld their investments mainly due a lack of knowledge in the space and a perception that it is too financially risky
- These findings:
  - Provide insight into the rising popularity of cryptocurrency and serve as a guide for future research
  - For instance, having a clear breakdown of the motives that separate these two group can allow researchers to examine them more precisely
  - The open-ended approach used to obtain this data is also indicative of its utility in this novel financial space

Limitations

- External validity (due to young sample of mostly undergraduates)
- Testing conditions were uncontrolled
- Some subsample sizes too small to draw meaningful conclusions
- Reporting and coding of open-ended motives is inherently subjective, which can result in errors
- Due to resource constraints, the use of a secondary rater and subsequent inter-rater reliability checks have yet to be completed

Future Directions and Closing Remarks

- A larger, more robust sample such be recruited to validate and expand upon this exploratory research
- Studies targeting more specific groups of investors/traders such be explored (e.g., investigation of the predictive value of certain motives, the addictive potential of cryptocurrency, the associated social and emotional impacts, financial loss, etc.)
- In such a rapidly developing field of consumer behaviour, research on the psychological and financial impacts of cryptocurrency use is warranted
- Data from this study can help inform future research studies, which will be necessary to inform cryptocurrency policy measures

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Contact

- daniel.andruchow@ucalgary.ca