

The Impact of Behavioral Economic Factors on Cryptocurrency Investment in Emerging Markets: An Empirical Study

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Abstract. This study investigates the influence of behavioral economic factors on cryptocurrency investment decisions in emerging markets. Utilizing a mixed-methods approach, we conducted a survey of 1,200 investors across five emerging economies, coupled with in-depth interviews to gain qualitative insights. Our findings reveal significant correlations between cognitive biases and investment behavior, particularly the roles of overconfidence and loss aversion. Furthermore, the study highlights unique market dynamics influenced by socio-economic conditions, challenging traditional economic theories. These insights provide a nuanced understanding of investor behavior and have implications for policymakers and financial institutions aiming to foster a more stable investment climate in the burgeoning cryptocurrency landscape.

Keywords: Behavioral Economics, Cryptocurrency Investment, Emerging Markets, Cognitive Biases, Investment Behavior, Market Dynamics, Volatility, Socio-Economic Conditions, Financial Stability

Introduction

The rapid evolution of cryptocurrency as an asset class has transformed financial markets globally, particularly in emerging economies where traditional investment frameworks struggle to accommodate the unique behavioral elements influencing investor decisions. As of 2024, the relevance of understanding these dynamics has never been more critical, with reports indicating that over 100 million individuals across developing nations have engaged in cryptocurrency trading. Despite the growing adoption, the underlying psychological factors that drive investment behaviors remain underexplored in the existing economic literature. This gap is particularly concerning given the volatility associated with cryptocurrency, which can exacerbate the impact of cognitive biases such as

overconfidence and loss aversion. In this paper, we aim to dissect the intricate interplay between behavioral economic factors and cryptocurrency investment within emerging markets—a niche yet pivotal area of economic research. Employing a mixed-methods methodology, we surveyed 1,200 investors and conducted qualitative interviews, enabling us to capture a holistic view of the phenomenon. Our findings suggest that socio-economic conditions, along with individual psychological traits, significantly impact investment decisions and may lead to systematic behavioral anomalies that are detrimental to market stability. This paper is structured as follows: we first review the relevant literature on behavioral economics and cryptocurrency markets, followed by a detailed account of our research methodology. Subsequently, we present and analyze our findings, culminating in a discussion of the implications for investors and policymakers. Finally, we conclude with recommendations for future research directions and practical applications.

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