

Decrypting the Digital Vault by Understanding Cryptocurrency Adoption Challenges Among Gen Z: Case of Sri Lanka

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Abstract

Background: As digital natives, Gen Zs are at the forefront of embracing cryptocurrencies for technological innovation and financial empowerment. This study is part of a larger effort to understand the evolving trends in the world of cryptocurrency, highlighting the need for more research in this area.

Objective: This study sought to explore the diverse challenges faced by Gen Zs while adapting to the usage of cryptocurrencies within the Sri Lankan context.

Methodology: The researchers conducted this study using an inductive qualitative approach. Data were gathered through in-depth interviews with 24 participants, employing snowball sampling to recruit participants. The collected data were then analysed using thematic analysis, and the findings were presented in prose form.

Results: The results of this study revealed three key themes that significantly impact the usage of cryptocurrency as a digital asset among Gen Zs in Sri Lanka: (i) Trust and security concerns, (ii) Market volatility and investment risks, (iii) Regulatory approach and cryptocurrency transactions.

Conclusion: Although cryptocurrency has gained acceptance among Gen Zs, its usage is determined by factors that ensure that users harness its full benefits.

Contribution: This study has revealed the diverse challenges that Gen Zs embraced when adopting cryptocurrencies.

Keywords: Challenges, Cryptocurrency, Digital Platforms, Gen Z, Sri Lanka

Introduction

Cryptocurrency, characterised as a digital currency with transformative potential in financial systems, has emerged as a prominent entity in the digital economy. McKee-Ryan (2021) highlights Generation Z (Gen Z), born between 1997-2012, as a globally connected and technologically adept cohort. Dabbous et al. (2022) underscore the gradual adoption of cryptocurrencies, suggesting its potential stagnation until embraced by Gen Z. Gen Z's proficiency in both technology and finance propels their engagement with cryptocurrency as a digital asset, positioning it as a proxy for traditional financial markets (Hazar & Yilmaz, 2018). Furthermore, Dogaru (2020) emphasises the necessity of exploring the financial landscape within blockchain mechanisms to identify risks for new cryptocurrency users. Kepli and Zulhuda (2019) outline fundamental challenges in cryptocurrency usage, such as money laundering and price volatility. Despite its global implications, cryptocurrency remains a novel concept for many in Sri Lanka, with Gen Z poised to leverage its technical acumen to drive its adoption.

Expanding upon this discourse, it is vital to recognise cryptocurrency's potential beyond traditional currency systems. Cryptocurrency, as a digital currency, offers avenues for developing smart contracts and decentralised applications, constituting a burgeoning trend in the digital economy. As articulated by McKee-Ryan (2021), Gen Z embodies a generation deeply intertwined with technology, having been exposed to its exclusive advent from an early age. Dabbous et al. (2022) elaborate on the innovative nature of cryptocurrencies, highlighting their novel approach to exchanging money and facilitating transactions. However, despite its transformative potential, cryptocurrency adoption has been relatively slow, with its trajectory poised to change significantly with the emergence of Gen Z. This generation, characterised by its profound engagement with technology and finance, exhibits a marked propensity towards cryptocurrency investment. Hazar and Yilmaz (2018) suggest that this engagement has propelled cryptocurrency to serve as a digital representation of monetary value akin to traditional financial assets.

The study's unique contribution lies in its novelty and focus. It is among the first few studies to delve into the specific challenges Gen Z individuals face in adapting to cryptocurrencies in Sri Lanka. While previous research, such as Kizildag et al. (2019), has provided critical insights into the broader challenges and risks associated with cryptocurrency, there remains a significant gap in understanding the unique obstacles encountered by Gen Z in Sri Lanka.

Cryptocurrency in Sri Lanka is a nascent concept, primarily embraced by Gen Z individuals pioneering its adoption. Our study aims to fill this gap by exploring Gen Z's diverse hurdles in adapting to cryptocurrencies, shedding light on their implications, and providing insights for effective mitigation strategies.

By identifying and addressing these challenges, this research seeks to provide invaluable guidance for potential investors within the Gen Z demographic. Ultimately, our study endeavours to pave the way for responsible and informed cryptocurrency adoption within Sri Lanka's Gen Z society.

Literature Review

The literature review explores the theoretical framework and challenges surrounding cryptocurrency adoption among Gen Z, focusing on security, regulatory frameworks, financial literacy, user experience, and technological barriers.

Theoretical Framework

This study was guided by the Theory of Reasoned Action (TRA) (Vallerand et al., 1992; Mweetwa & Mwange, 2023), which provides a valuable lens to explore the challenges of Gen Z's cryptocurrency adoption in the Sri Lankan context. The TRA posits that individuals' behavioural intentions are determined by their attitudes towards the behaviour and subjective norms. In the context of cryptocurrency adoption among Gen Z in Sri Lanka, attitudes may be influenced by factors such as perceived benefits of cryptocurrencies, perceived risks, and personal values or beliefs. Subjective norms may stem from social influences, such as peer opinions, family attitudes towards cryptocurrencies, and societal norms regarding financial practices.

By applying the TRA to this study, we aim to explore the challenges of Gen Zs by decoding their attitudes and subjective norms regarding cryptocurrency adoption in Sri Lanka. This theoretical framework provides a systematic approach to understanding the complexities of decision-making processes and can inform strategies to address the challenges and facilitate the adoption of cryptocurrencies among Gen Z in Sri Lanka.

Empirical Literature

Gen Z is considered as the generation of hope (Scholz & Vyugina, 2019). Despite the Central Bank of Sri Lanka's caution in 2021 about cryptocurrency risks, the government has formed a committee to explore cryptocurrency and blockchain use. The research aims to propose solutions to these challenges. The responsibility of the committee is to prepare a suitable framework for Sri Lanka by studying the rules, regulations, and restrictions used in the Philippines, Dubai, Malaysia, Singapore, and Middle Eastern countries. It is further pointed out that the policies related to cryptocurrency do not change and the Central Bank has approved rupees as the accepted currency in the country and since nothing has been approved, the risk must be borne by oneself in transactions using other currencies. Deepika and Kaur (2017) point out a double-edged sword: cryptocurrency's open-source nature allows code modification but also facilitates anonymity for illegal activities. Ashraf et al. (2020), identify legal challenges, including facilitating criminal activity and hindering traceability. It also highlights the high energy consumption associated with cryptocurrency mining. Nakamoto (2009), mentioned that the decentralized nature of cryptocurrency always represents a dual aspect of positive and negative. It pointed out that it is a double-edged sword that should be understood by the general society, while it removes the need for financial intermediaries or intermediary systems such as banks, and therefore exposes the financial system to security threats.

Notably, it is emphasised that the challenge to users' financial security includes issues such as hacking of financial data, financial fraud, and vulnerability of related wallet systems. Kum et al. (2013) reveal that the unprecedented rapid growth of cryptocurrency globally and the accompanying changes in financial practices have created a 'regulatory dilemma' for governments worldwide. It has been shown that creating a balance between such financial security, technology, and innovation, as well as the protection of financial systems, is a challenge. Divakaruni and Zimmerman (2023) highlight that security and scalability become critical as cryptocurrency adoption grows. Balancing network security and efficiency while

maintaining decentralisation presents a key challenge for blockchain systems. Pseudonymous transactions on cryptocurrencies raise privacy concerns due to private blockchains and potential financial risks, prompting regulatory efforts by governments worldwide (Sasson et al., 2014). Albrecht et al. (2019) identify cryptocurrency's volatility and security as major drawbacks. Understanding these issues and achieving price stability is critical to widespread adoption. Decentralised blockchains are vulnerable to attacks. Identity and access management for IoT also pose challenges. Ligon (2023) cites security breaches on Bitcoin exchanges like Mt. Gox, highlighting a challenge for Gen Z investors. As cryptocurrency is directly attached to blockchain technology, challenges are common. Ghosh et al. (2020) mentioned that usability, privacy, and security are some shared challenges associated with blockchain technology. Chandrasekara and Yapa (2021) explore challenges in promoting cryptocurrency, including user education, banking integration, and technological literacy, drawing lessons from past experiences.

Bogamuwa et al. (2022) show a positive correlation between technological knowledge and positive perceptions of cryptocurrency in Sri Lanka. However, Moorthy et al. (2022) highlight potential negative effects on the Sri Lankan exchange rate. Furthermore, literature reviews reveal limited research on cryptocurrency use by Gen Z in Sri Lanka within the past ten years. This highlights a notable gap in understanding the challenges of cryptocurrency adoption for this demographic in a developing country.

Materials and Methods

Research Design

The study employs a qualitative research design to thoroughly investigate the challenges Gen Z cryptocurrency users encounter in Sri Lanka. Given the complexity of the research question and the need for detailed insights into Gen Z's attitudes towards cryptocurrency usage challenges, a qualitative approach is commendable. This design enables the exploration of subjective experiences, obstacles, and issues (Saunders et al., 2019), providing a comprehensive understanding of Gen Z's cryptocurrency challenges within the Sri Lankan context.

Sample Size

Twenty-four respondents were selected for participation in this study through purposive and snowball sampling methods. This sample size was deemed sufficient to achieve data saturation (Hennink et al., 2017), ensuring a comprehensive range of challenges and obstacles related to Gen Z to be captured and analysed effectively. Respondent profiles are attached in Appendix 1.

Sampling Method

Gen Z individuals in Sri Lanka who were actively engaged in cryptocurrency transactions were targeted for inclusion in this study. The sampling process was conducted in two phases. Initially, purposive sampling was utilised to select the first participant who met specific criteria, including Sri Lankan citizenship, Gen Z membership, and a minimum of three years of experience in cryptocurrency. This approach ensured that the initial participant possessed the requisite knowledge and experience to provide valuable insights into the research topic. Subsequently, snowball sampling (Valerio et al., 2016) was employed to access additional respondents within the cryptocurrency community. This second phase was necessary due to the reluctance of crypto users to share their identity openly. Snowball sampling facilitated the recruitment of participants and enhanced the diversity of perspectives within the study sample.

Data Collection

Data were collected through semi-structured interviews conducted with the selected respondents. The semi-structured format allowed for flexibility in questioning, enabling the exploration of diverse themes and topics relevant to Gen Z's cryptocurrency challenges. Probing questions were utilised to delve deeper into participants' problems, barriers, and obstacles with cryptocurrency usage, facilitating a comprehensive understanding of their challenges.

Data Analysis

Thematic analysis was employed as the primary method of data analysis in this study. The thematic analysis involves the systematic identification, organization, and interpretation of patterns and themes within qualitative data (Braun & Clarke, 2006). Initially, keywords and phrases from the transcribed interviews were coded using computer-assisted qualitative data analysis software (NVivo). The analysis proceeded through several iterative cycles, beginning with Level 1 coding to identify basic themes, and progressing to higher levels of coding to develop more complex themes and patterns.

Ensuring Trustworthiness and Ethical Considerations

Adhering to Tracy's (2010) "big tent" criteria, which encompass credibility, transferability, dependability, and confirmability, ensured trustworthiness in this qualitative study. Strategies such as member checking, peer debriefing, and methodological triangulation were employed to enhance trustworthiness (Tracy, 2010).

Ethical considerations were prioritized throughout the research with ethical approval obtained from the institutional review board prior to data collection. Participants were fully informed about the study's purpose, their rights, and the voluntary nature of participation. Informed consent was obtained, and confidentiality and anonymity were maintained throughout the research process.

Results and Discussion

This study was conducted to seek different prospects of challenges faced by Gen Z regarding the establishment and the usage of cryptocurrency as an accepted and regulated financial asset in the Sri Lankan context. The transcribed data thoroughly identified codes, paving the way for a deeper exploration through second-level coding. Utilising the second-level coding approach, a word cloud analysis was crafted to encapsulate the challenges recurrently emphasised by the respondents visually and is depicted in Figure 1.

Figure 1: Word Cloud Analysis



Source: Author developed based on respondent details

This methodology facilitated the formulation of constructs for sub-themes, subsequently culminating in the identification of three overarching themes: (i) Trust and Security Concerns, (ii) Market Volatility and Investment Risks, (iii) Regulatory Approach and Cryptocurrency Transactions.

Theme 1: Trust and Security Concerns

Cryptocurrency is a new concept in Sri Lanka, with only a few people involved in its usage or investment. One of the major reasons for this limited engagement is the prevailing attitudes toward cryptocurrency, particularly among Gen Z respondents in this study. Many participants expressed concerns about trust and security issues, which are understandable given the novelty of cryptocurrency and the recent incidents of hacks and frauds. These apprehensions may deter potential investors from fully embracing cryptocurrency as a digital asset in Sri Lanka.

“With the current situation in Sri Lanka, I don't trust the banking system much.” – Respondent 9.

This statement shows Gen Z's uncertainty about using the digital banking system because of the complexity and trust associated with modern technology, and it further highlights the challenges that exist when using the digital banking system for transactions of cryptocurrencies with blockchain technology. This aligns with the TRA, which posits that attitudes towards a behaviour (in this case, using cryptocurrencies) significantly influence behavioural intentions. The negative attitudes expressed by Gen Z due to security concerns directly impact their reluctance to engage with cryptocurrencies. As per the findings of Arli et al. (2021), crypto users are more likely to trust cryptocurrencies and their peer-to-peer transactions if they take place through a central issuer while regulated by respective governments. Even though Gen Z is equipped with new technological knowledge and facilities, it resists change from the traditional financial system. However, this is contradictory in the context of Sri Lanka based on the responses received.

"Lack of proper education and awareness about cryptocurrency." Respondent 3. Despite being technologically savvy, a key challenge facing Gen Z in Sri Lanka is their lack of comprehensive understanding of cryptocurrencies and blockchain technology. Addressing this knowledge gap is crucial for enhancing financial literacy and awareness among Gen Z, thereby minimising investment risks and increasing trust in cryptocurrencies (Shuhaiber et al., 2023). By fostering education and awareness about cryptocurrencies, Gen Z can develop a secure mindset and confidently utilise cryptocurrencies for transactions. According to TRA, subjective norms and perceived behavioural control are crucial in shaping behaviour. The lack of education and awareness among Gen Z affects their perceived behavioural control, making them feel less capable of using cryptocurrencies effectively.

"In an investment, you can't ever be hundred percent confident." Respondent – 22

"I have mixed feelings about the trustworthiness of cryptocurrency due to its digital nature and volatility." – Respondent – 10

Respondents 10 and 22 express fundamental trust issues regarding the use of cryptocurrencies as digital currency, highlighting the market's inherent volatility and unpredictability. This uncertainty presents unique challenges for Sri Lankan Gen Zs when considering cryptocurrencies as digital assets. The rapid fluctuations in the crypto market further compound their hesitation, leading to a lack of confidence in investment decisions. Badlani et al. (2023) argue that the cryptocurrency market's volatility significantly impacts the emotions and decisions of Gen Z investors, indicating that swift price changes can influence their psychological states and affect their investment choices. This is consistent with TRA, where attitudes (here, mixed feelings about trustworthiness) directly influence the intention to adopt cryptocurrencies.

"[mention the name of a tech giant] one tweet can change a lot of things in crypto market, right?" – Respondent 23.

It becomes apparent that well-known influencers wield considerable influence over the stability of cryptocurrency. This suggests that the Gen Z community in Sri Lanka harbours fragile confidence in investing in cryptocurrency, as they lack professional or generic exposure to digital currencies like crypto, leading to feelings of insecurity about cryptocurrencies. Moreover, the fact that a single tweet from an influencer can sway the market underscores the inherent unpredictability and volatility of cryptocurrencies in the minds of Gen Z. This inconsistency in mindset regarding cryptocurrencies reflects trust issues among Gen Z in Sri Lanka, posing a significant challenge for them to navigate and succeed in the world of cryptocurrencies.

Kuldilok and Satitsamitpong (2023) further elucidate that Gen Z's tendency to be influenced by social media influencers stems from their status as digital natives, who inherently trust social media and influencers to shape their investment decisions. This influence, whether from peers, family, or other sources, can significantly impact Gen Z's trust in their individual decisions, particularly regarding cryptocurrency, posing a challenge for successful cryptocurrency ventures.

"People are motivated to remain anonymous in this space." – Respondent 1

"Use of anonymous platforms and networks for operational security." – Respondent 4

When analysing the responses of Gen Z crypto users, the above-mentioned statements signify the anonymity the crypto users possess. While this is considered a positive notion, still the Sri Lankan community is not convinced whether the platforms are completely anonymous.

Comments of respondents 2, 5, and 20 touch the financial frauds that have happened using cryptocurrencies.

"When doing cryptocurrencies, there are some challenges like financial scams and gambling."
– Respondent 20

"People in countries like Sri Lanka are easily caught by things like pyramid schemes." – Respondent 5

"I am more concerned about tracking and privacy policies when doing crypto transactions. Because there are many scams and frauds." – Respondent 2

The statements outlined various challenges associated with Gen Z's engagement with cryptocurrencies, including the risks of financial scams, frauds, and pyramid schemes. These challenges revolve around the overarching concerns of trust and security when using cryptocurrencies, highlighting the misuse of digital currencies stemming from their novelty. Gen Z's lack of expertise in cryptocurrencies can make them susceptible to deception and create insecurity based on their limited experience and familiarity with the field. Bartoletti et al. (2021) emphasise the difficulty young crypto users face in detecting cryptocurrency scams due to their lack of experience and knowledge. This underscores Gen Z's concerns regarding trust and security issues in the Sri Lankan context. Comparing traditional financial assets with digital currencies reveals a significant gap in terms of trust and security. These uncertainties and challenges arise from a lack of trust and reliability among Gen Z. However, such challenges can be mitigated through proper financial regulation, education, and technological support to ensure trust and security for Gen Z in Sri Lanka when investing in cryptocurrencies. Sri Lankan Gen Z must have clear knowledge about secure cryptocurrency transactions to navigate the cryptocurrency landscape confidently and mitigate trust and security concerns.

Theme 2: Market Volatility and Investment Risks

The article "Risks of using and investing in Cryptocurrency", issued by the Central Bank of Sri Lanka (CBSL, 2023), outlined both the opportunities and challenges for amateurs who enter cryptocurrency. According to the opinion of the CBSL, the unregulated nature of cryptocurrency, its lack of recognition as a legal tender, and the lack of a regulatory system in Sri Lanka have been pointed out as reasons for the lack of encouragement of potential investors to engage in cryptocurrencies. Furthermore, the CBSL highlights the warnings attached to the use of Electronic Transfer Cards (EFTCs). This can be pointed out as one of the strongest barriers for newcomers to enter cryptocurrency. However, cryptocurrency users could seek advice against CBSL's opinion through risk assessments, secure cryptocurrency platforms etc. This perspective is consistent with the TRA, which suggests that perceived behavioural control and subjective norms influence an individual's intention to engage in a behaviour. Here, CBSL's warnings and the lack of regulatory frameworks create a negative subjective norm, deterring newcomers from entering the cryptocurrency market.

"Most people do crypto trading, or some people do it as an investment. In my opinion, all the rewards come in a risky way." – Respondent 06

"In my opinion, based on my experience, I go for a physical investment, whether it be a plan or a business." – Respondent 05

From the statement of the 06th respondent, the risk is the same according to the statement of CBSL whether cryptocurrency is used for trading or investment. However, the challenge of whether to use the solution for that risk or to go to another investment method is up to the investor. Incentives for traditional investments, such as real estate, are consistent with CBSL's permanence effect. This reflects the TRA's emphasis on the impact of attitudes towards a behaviour. Respondent 05's attitude towards the high risk of cryptocurrency trading aligns with CBSL's stance, influencing their investment decisions. It has been a challenge for investors to select an investment method in the face of uncertainty. CBSL's warnings include the lack of legal recognition as tender in Sri Lanka as an incentive for physical investment schemes.

"If we invest all the money, then we can't bear a loss sometime." – Respondent 07.

Investing the entire amount in cryptocurrency is recognised as risky, leading many investors to diversify their investments between cryptocurrency and traditional assets to mitigate risk. This highlights the importance of policies aimed at reducing investment risk. Respondent 07 emphasises the importance of diversifying investments across multiple cryptocurrencies to minimise risk, particularly in the face of market fluctuations. TRA highlights the importance of perceived behavioural control, which is evident in the respondents' strategies to diversify their investments to better manage risks.

The challenges associated with cryptocurrency investments are closely tied to risk, particularly given the market's volatility. Investors face various challenges, including the threat of losing assets in cryptocurrency transactions and loyalty issues with exchanges. However, studies like that of Arsi et al. (2021) suggest that even with stringent regulatory frameworks, effective risk management can mitigate these challenges and potentially lead to positive investor outcomes. This supports the TRA framework, where effective risk management and regulatory measures can enhance perceived behavioural control, making cryptocurrency investments more attractive.

"Cryptocurrency is very risky." – Respondent 03. The idea that cryptocurrency should be considered risky due to the basic factors of price fluctuation, market volatility and investment risk inherent in cryptocurrency has been socialised. This is a huge challenge for new investors who join cryptocurrency and causes a huge challenge in deciding the amount that investors should invest in cryptocurrency. It is also said that due to the inherent volatility of cryptocurrency, sudden market declines become an unavoidable challenge for new investors who are developing cryptocurrency. This is consistent with TRA, where the perceived risk (attitude towards behaviour) influences the intention to invest in cryptocurrencies.

According to the information provided by Radanliev (2024), the value of cryptocurrency can plummet, which is also known as a crypto crash. The reasons for those crashes can be cited as regulatory problems, market sentiment, etc.

"Market crash, I mean Luna crash." – Respondent 13

Further highlighting the idea pointed out by the responder above, individual assets like Luna in cryptocurrency show the challenge of facing the volatile market by managing the project risk well. Diversification shows that this challenge can be reduced to a certain extent, and according to the respondents' experience, financial losses can be reduced.

"Market not stable at the moment. LUNA crash can happen at any time." – Respondent 15

Here again, the responder is trying to prove that if you accept the challenge and invest in certain crypto assets, you should be careful. You may experience an unexpected loss at some point.

“Loss in cryptocurrency because of the LUNA crash. The biggest mistake I ever made was being impatient.” – Respondent 16

This indicates a mistake due to impatience, crypto-asset volatility, and financial losses due to impulsive decisions. TRA suggests that attitudes and past experiences shape future behavioural intentions. Respondent 16's experience with losses due to impatience reflects how past negative experiences can influence future investment behaviours and decisions. This shows the need for discipline and long-term thinking in the face of challenges.

“As far as I understand, I am worried, thinking that this chance will be missed and making quick decisions.” – Respondent 17

When investing in cryptocurrency, decisions directly challenge the investor. Due to the fear of missing investment opportunities, most of the challenges taken by investors are without research. Now, the challenge is to make investment decisions based on emotions rather than analysis, neglecting important factors and, therefore, being exposed to more risks. This aligns with TRA's concept of subjective norms and perceived behavioural control, where the fear of missing out (a subjective norm) drives impulsive and often poorly informed investment decisions.

“I think my earnings are on the downside. It does not matter if you know big things because there was a market crash about two years ago.” – Respondent 19

When investing in cryptocurrency, decisions directly pose a challenge to the investor. Due to the fear of missing out on investment opportunities, most of the challenges taken by investors are without research. Now, the challenge is to make investment decisions based on emotions rather than analysis, neglecting crucial factors and therefore being exposed to more risks. The notions indicated by Almeida et al. (2022) support the respondent's statement. This study shows that investing in cryptocurrencies carries significant volatility and risk. Yet, it is agreeable that this is the behaviour of cryptocurrencies and their fluctuations during periods of financial instability. While some cryptocurrencies can offer high returns, there is also high volatility and risk, which helps justify the citation that cryptocurrency investors should bear that risk.

“Even if it is high risk, we can minimise the risk. It has methods. Even those who know the trading concept will not get 100% profit.” – Respondent 20

When the risk and the related challenge are read that way, this respondent tries to describe how to manage the risk and face the challenge. The understanding of the importance of risk management and related strategies is clear to thrive in the cryptocurrency market for a significant period of time. As suggested by this responder, there are risks in the projects, but it is pointed out that the challenge can be effectively faced by protecting the investments by minimising the losses that may occur.

“Some people focus on one currency in cryptocurrency and invest money. Then the probability of it being lost increases.” – Respondent 21

Here the decision-making challenge is depicted. By investing a portion of one's assets in one currency, the entire risk is attached to it. Responder shows that investing in currency, such as Bitcoin and Ethereum, has been widely discussed in society. Due to the challenge of investing

in one currency in the face of ever-changing technology, if there is a simultaneous drop in value due to market volatility, it will bring huge losses. Diversification also highlights the value of financial units dividing their money and investing in many as a solution to this challenge.

"Even with risks in cryptocurrency, there are ways to reduce them. Even experts know you can't always make a profit." – Respondent 23.

Directing attention to the importance of minimising risk, methods should be used. As pointed out by a previous responder, risk mitigation techniques such as diversification should be used. Each of these methods is important for long-term investment growth.

"Yes, I might lose, but then again, not all the investment will yield the good things right." – Respondent 24

The above challenges further confirm that positive results cannot always be expected. This reality highlights the importance of the investor adopting a more pragmatic approach. Risk-taking, patience and resilience are among the challenges that must be taken for success, as well as maintaining a balanced perspective while minimising potential losses in the face of considerable research. Simply acknowledging that losses are possible highlights the importance of a prudent approach. This aligns with TRA, where a realistic assessment of potential outcomes and the willingness to accept risks influence the intention and behaviour towards cryptocurrency investment.

Theme 3: Regulatory and Cryptocurrency Transactions

Respondent 5 firmly asserted that cryptocurrency should not be subject to government regulation, reflecting a prevailing sentiment among Gen Z that cryptocurrencies should operate independently from regulatory frameworks. This viewpoint suggests a belief that legal regulations are unnecessary for cryptocurrency and that it should be treated solely as an investment opportunity for profit-making.

Nevertheless, the CBSL (2023) acknowledges cryptocurrency's unregulated nature while cautioning investors about the risks associated with fraud and money laundering. They further indicate the need for caution and awareness among cryptocurrency investors. This reflects the TRA, where the CBSL's stance influences subjective norms and attitudes, deterring some from entering the cryptocurrency market due to perceived risks and regulatory warnings.

"First starting the trading, I could not open a bank account in Sri Lanka." – Respondent 03

CBSL's statement regarding the use of credit cards for cryptocurrency in Sri Lanka is consistent with this respondent's opinion. CBSL has pointed out that it is illegal in Sri Lanka.

"Cryptocurrency is to get returns on investment without interference from law or taxes." – Respondent 8

This response suggests that cryptocurrencies provide opportunities for financial gain unencumbered by legal or tax constraints.

"It has not been legally accepted in Sri Lanka, so it has to be done through P2P." – Respondent 10

The responder discusses solutions for challenges affected by the Sri Lankan government's lack of legal acceptance of cryptocurrency. Here, it is pointed out that transactions can be made through the P2P option to buy, sell, or exchange cryptocurrency. Nakamoto (2009) shows the

advantage of doing P2P transactions directly without an intermediary called a responder. Lacking the need for a bank or a medium of exchange, P2P allows secure and reliable transactions without centralised control.

“Cryptocurrency should never be a currency regulated by a country's laws, operating freely as a means of investing money.” – Respondent 13

Respondent 13 also tries to state further that cryptocurrencies should not be governed by laws that act more like an investment than a regular currency. This perspective appeals to Gen Z in Sri Lanka due to financial freedom, inflation protection, and the potential for wider financial inclusion, but the risk management challenge is always on the investor. As Andrey et al. (2018) point out, if cryptocurrency acts as a traditional currency, it goes against its basic principles and could hinder the adoption of cryptocurrency. Due to the safety and transparency of cryptocurrency blockchain technology such as Bitcoin and Ethereum, there is no conflict related to security, contrary to the opinion of some concerned investors. Furthermore, cryptocurrency is unregulated by its very nature, making it difficult to regulate from country to country.

“The best thing is that cryptocurrency itself comes from the blockchain, there are no security issues” – Respondent 14

As indicated by the responder, as an answer to many challenges, it is shown that since cryptocurrency comes through blockchain technology, there is no risk related to the security of investments made by investors. Further confirming that idea, as Pestunov (2022) points out, it is read that businesses and governments are using blockchain technology because of its transparency, efficiency, and security features. So far, it is reflected that the solution to the challenges that may arise due to the decline of cryptocurrency is in the blockchain technology of cryptocurrency.

“Cryptocurrency is not forbidden, nor is it illegal. But the crypto transaction is definitely like black money under the traditional banking system.” – Respondent 17

Although not legalised in Sri Lanka, as shown in Podder (2023), it is clear that some governments have legally recognised it with conditions specific to each country and have taken steps to manage it. It also includes actions for consumer protection by the government while addressing key stability.

“Creating a unique digital banking related to cryptocurrency is beneficial.” – Respondent 18

The respondent suggests developing digital banking solutions because regulatory challenges can create new opportunities. The respondent also suggests that it would be good if cryptocurrency remained something that operates through the banking system of Sri Lanka.

“Cryptocurrency is not limited to one region and country, so it is a money investment opportunity.” – Respondent 21

Since cryptocurrency has gone beyond the traditional financial market due to its decentralised and global nature, many of the challenges in transactions through the traditional market can be minimised. However, the fact that cryptocurrency is not subject to a country's monetary policy is an alternative for those looking for alternative investment opportunities.

“Cryptocurrencies do not require separate legal regulations, but similar money laundering and financial fraud can occur in cryptocurrencies.” – Respondent 23

While highlighting the challenge of possible financial fraud that can occur, the insights from respondent 23 confirm the applicability of the TRA. The attitudes towards cryptocurrency's risks and volatility, subjective norms influenced by regulatory warnings and social influences, and perceived behavioural control through risk management strategies all shape the intention and behaviour of Gen Z investors in Sri Lanka.

Conclusion and Recommendations

In conclusion, this research study has explored the diverse challenges of using cryptocurrency among Gen Z based on the Sri Lankan context. The research is purely qualitative, and an inductive approach was used. Primary data was collected through in-depth interviews to synthesise better conclusions for exact insights about the diverse perspectives on cryptocurrency users amongst Gen Z individuals. By analysing the responses and conducting a thematic analysis, the three prominent themes have emerged as market volatility and investment risks, regulatory and cryptocurrency transactions, and trust and security concerns, which provide a comprehensive understanding of the varied challenges of using cryptocurrency among Gen Z individuals in Sri Lanka.

With the influence of developed countries, Sri Lanka is also embracing this technological revolution to remain competitive in the global financial market. The Gen Z of Sri Lanka is spearheading this transition. Henceforth, to establish cryptocurrencies as a legal form of conducting financial transactions in Sri Lanka, it is imperative to assess the current sentiments and needs of Gen Z regarding cryptocurrencies. Policymakers can take action to educate individuals about cryptocurrencies, financial management, and information technology, as well as establish a regulatory body to manage and regulate cryptocurrencies within the country while encountering the challenges faced by Gen Z individuals regarding cryptocurrency in Sri Lanka. These actions will satisfy the need for a well-designed legal framework to address the inherent risks associated with cryptocurrencies and enhance reliability in the digital financial platform. Despite the obstacles ahead, the Gen Z of Sri Lanka remains steadfast in driving the country towards technological advancement. It is the government's and citizens' joint responsibility to navigate this transition, paving the way for cryptocurrencies to become a cornerstone of Sri Lanka's financial future, characterised by high-profit margins and reduced risk levels for investors. This vision holds the promise of propelling Sri Lanka into a position of economic strength and stability on the world stage.

Based on the study findings, recommendations are proposed to address Gen Z's cryptocurrency challenges in Sri Lanka. Comprehensive educational programs should be developed, integrated into the national curriculum, and perhaps also offered through workshops to enhance financial literacy. Simultaneously, establishing a robust regulatory framework is essential, with a dedicated body overseeing compliance and providing clear guidelines for exchanges and wallets. This regulatory structure ensures transparency and security in cryptocurrency transactions. Additionally, promoting trust and security further involves implementing stringent protocols and launching public awareness campaigns to educate Gen Z about potential threats and safeguard their digital assets. Lastly, efforts to facilitate market stability are crucial, including mitigating volatility and encouraging transparent investment products. Supporting technological innovation is key in this regard, with incentives for startups and partnerships with international tech companies driving progress in blockchain technologies.

Suggestions for Future Research

Future research can focus on comprehensively analysing cryptocurrency adoption and usage in developing countries. Additionally, researchers can explore the implementation of a legal framework for cryptocurrency within specific regions, such as Sri Lanka, to address regulatory gaps and enhance clarity in the regulatory environment.

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Appendix 1: Respondent Profiles

Respondent	Age	Cryptocurrency	Platform
Respondent 1	25	Bitcoin	Binance
Respondent 2	19	Ethereum, bitcoin	Binance
Respondent 3	21	Bitcoin	Binance
Respondent 4	24	Bitcoin	Binance
Respondent 5	18	Bitcoin, USDt	Binance
Respondent 6	23	Ethereum, bitcoin	Binance
Respondent 7	20	Ethereum, USDt	Binance
Respondent 8	22	Bitcoin	Binance
Respondent 9	26	Litecoin, USDt	Binance
Respondent 10	18	Bitcoin	Binance
Respondent 11	25	USDt	Kraken
Respondent 12	19	USDt	Binance
Respondent 13	24	Ethereum	Binance
Respondent 14	20	Litecoin	Binance
Respondent 15	22	Bitcoin	Kraken
Respondent 16	25	Bitcoin	Binance
Respondent 17	23	Litecoin	Coinmama
Respondent 18	21	Ethereum, Litecoin	Binance
Respondent 19	19	Cardano, Litecoin	Binance
Respondent 20	26	Ethereum	Coinmama
Respondent 21	18	Bitcoin	Kraken
Respondent 22	22	Bitcoin, USDt	Binance
Respondent 23	24	USDt	Binance
Respondent 24	20	Bitcoin	Kraken

Source: Author developed based on respondent details