

Analysis of Public Perception on Virtual Currency in Erbil, Kurdistan Region of Iraq

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Abstract

The current study aims to analyze the public perception on virtual currency in Erbil, Kurdistan Region of Iraq. The researcher used quantitative method by using questionnaire which was developed by the researcher and translated into Kurdish. Researcher did interview with few respondents to know their opinion on virtual currency. The current research is pilot study to understand the perception and may help the organizations that represent virtual currency can make decisions to forecast their future endeavors and operations to penetrate into KRG region.

Key words: Virtual Currency, Bitcoin, Cryptocurrency, Digital Currency

Introduction

During most of 19th and 20th century, people mostly relied on precious metal as a mean of treasury and for exchanged goods. In late last century, finally the government of the U.S developed public confidence in currency's value. In other words, the gold standard removed as a supporting metal to the currency, which was the birth of fiat money. Now it's a virtual currency becoming a new phenomenon. People around the world have different perception about virtual currency.

Some people believe it's the currency of 21st century, while others believe digital currencies will die out with the pattern of time. Bitcoin gained world financial news popularity around 2013-2014 and the price reached its highest in December 2017 which was hovering around \$20,000. In the paper of Bitcoin A Peer to Peer Electronic Cash System, Mr. Rothenberg and Mr. Magalhães stated that Bitcoin would be the first digital currency without the needs financial institutional management. Fund can be transferred among individuals without middlemen – banks. In other words, the fund can be transferred from owner to receiver without government or bank's involvement (Rothenberg and Magalhães, 2013).

At the time of writing this paper, the price of bitcoin is hovering around \$7,000. In mid-December 2017, the price of bitcoin recorded the highest, which was \$19,167. The price has dropped since then. However, today's price of bitcoin is surprisingly high. In 2015, Bitcoin outperformed major currencies in the world. In this paper, I attempt to reveal the public perception about digital currency. In addition, I will examine whether the public accept virtual currencies as currency and can trade it one day.

Many believe that digital currency is an asset class rather a currency and countries like Germany and Norway were first to support this notion. According Max Keiser report Bitcoin is an asset class like stocks, bonds, precious metals.

Literature review

According to David Yermack, Money is characteristically defined by economists as having three features, including medium of exchange, a unit of account and a store of value. Virtual currency, especially bitcoin meets the first attribute of money. Customer can use bitcoin to purchase goods online. However, the world wide acceptance of bitcoin is still very limited. Another confusing part due to high value of bitcoin when purchasing for a small amount, let's say, \$5 worth of goods. The four or five decimal zeros are confusing to most customers. Bitcoin is invulnerable to the government regulation and manipulation. Instead the currency is controlled by cryptographic rules in decentralized environment (Wallace, 2011).

According to Benjamin Wallace, Nakamoto initially mined the early 50 bitcoins into circulation in 2009 as introductory to the online observers. At first, the circulation was among online enthusiasts and volunteers around the world's computer. According to many sources and Wallace (2011), the first bitcoin changed hands at the price of 4.5 cents for the volume of less than a dollar. In 2009, the first purchase of goods using bitcoin was ordering 2 pizzas for the amount of 10,000 bitcoins. The merchant didn't accept the bitcoins directly; instead, a third part broker completed the transaction to procure the pizza using credit card that happened to accept bitcoin. Today those 10,000 bitcoins are worth \$7m at the current price of \$7,000 per bitcoin (Yarmack, 2013).

In fall of 2013 the use of virtual currency activities has increased across EU states, merchants started accepting bitcoins and many individuals starting using bitcoins not as an investment but for purchasing goods. In December 2013 European Banking Authority (EBA) issued a public warning stated that consumers' bitcoin units could be stolen from their digital wallet or can be lost at the exchange. It also stated that consumers' bitcoins can't be protected when used as a mean of payment and virtual currency can be used for criminal activities (EBA, 2014).

In 2017 the value of bitcoins reached \$300 billion world-wide. Around 16.6 million bitcoins circulating in the market and its value increased by around 900% in the year of 2017. The correlation of bitcoin to other currencies such as dollar or euro or precious metal such as gold is zero. In other words, there is no correlation between bitcoins and other currencies or metals. Another problem with bitcoins is its volatility due to its extreme fluctuation on a daily basis. Most people are risk-averse investors and try to limit their exposure to a risky investment (Joshi, 2017).

According to European Bank Authority, virtual currency is not issued by the government or by the central bank. However, the currency is accepted by individuals as a mean of exchange and traded electronically. Unlike gold, which can be mined in seas and rivers where a tangible metal can be detected, virtual currency can be mined online with powerful computer by solving complex algorithm. Bitcoin is a decentralized virtual currency. It can be computationally produced via a process called mining. The miner needs continually computing the SHA-256 cryptographic has function over a large range of values (Huang, Dave, 2014).

The supply of digital currency, per se, bitcoin is limited and fixed by mathematical protocol and small amount normally released over times (EBA, 2014). According to the hearings took place by the U.S. Senate Committee on Homeland Security and Governmental Affairs, government regulator didn't dismiss virtual currency and it has potential in payment system (Yarmack , 2013).

Like the traditional banking system offers fair amount of privacy, one of the advantages of Bitcoin offers is privacy which comes from pseudonymous address. The author (Maxwell, 2013) believes that those addresses are easily accessible and can be compromised via reuse, "taint" analysis, IP address monitoring nodes, tracking payment, web-spidering and many other tools. Once this privacy is broken, it will be too difficult or costly to recover.

Research Methodology

The current study aims to analyze the public perception on virtual currency in Erbil, Kurdistan Region of Iraq. The analysis was made by using quantitative method for present study and the survey questionnaire was developed by the researcher. Researcher interviewed all the respondents and translated English version into Kurdish to some of the respondents. Data was gathered by using random sampling method. 115 questionnaires were distributed where 97 questionnaires were received but valid number of questionnaires that were filled properly by respondents was 85. Five point Likert type scale was used in the instrument ranging from strongly disagree to strongly agree.

Analysis:

Reliability Statistics

Cronbach's Alpha	N of Items
.710	13

Demographic Analysis

Age

	Frequency	Percent
Valid 20-30	59	69.4
31-40	21	24.7
41-50	3	3.5
51-60	1	1.2
Above 60 years	1	1.2
Total	85	100.0

Marital Status

	Frequency	Percent
Valid Married	23	27.1
Single	62	72.9
Total	85	100.0

Yearly Income

	Frequency	Percent
Valid \$1000-\$2000	47	55.3
\$2001-\$3000	25	29.4
\$3001-\$4000	5	5.9
\$4001-\$5000	4	4.7
Above \$5000	4	4.7
Total	85	100.0

Education level

	Frequency	Percent
Bachelor's degree	42	49.4
Master's degree	35	41.1
Others	8	9.5
Total	85	100.0

Frequencies

	Virtual Currency Awareness	Know someone traing VC	Aware of VC benefit	VC is safe to buy	Invest in VC to make profit
N Valid	85	85	85	85	85
Missing	0	0	0	0	0
Mean	2.13	2.36	2.71	2.85	2.86
Median	2.00	2.00	3.00	3.00	3.00
Mode	2	1	3	4	3
Std. Deviation	1.110	1.143	1.153	1.332	1.274
Variance	1.233	1.306	1.329	1.774	1.623

	Advertisement campaigns to attract the public	Trust VC trade in KRG	Aware of the problem with VC	Accept profit from VC	Public trust in VC KRG	use online to purchase VC	Do you buy VC	suggest others to buy VC
N Valid	84	85	85	85	85	85	85	85
Missing	1	0	0	0	0	0	0	0
Mean	2.63	2.78	2.45	2.21	2.93	2.60	2.62	2.94
Median	3.00	3.00	2.00	2.00	3.00	3.00	3.00	3.00
Mode	3	3	1	1	4	3	3	1
Std. Deviation	1.230	1.322	1.350	1.226	1.307	1.125	1.300	1.450
Variance	1.513	1.747	1.822	1.502	1.709	1.267	1.690	2.104

a. Multiple modes exist. The smallest value is shown

Item 1: I am aware of Virtual Currency

		Frequency	Percent
Valid	Yes	31	36.5
	No or limited knowledge	54	63.5

36.5% of respondents have awareness on virtual currency while more than 63.5% have no or limited knowledge.

Based on my interview, around 40% of respondents actually heard of crypto currency and mainly OneCoin and Bitcoin. Some mentioned they heard of it on local TV. They do have interest on the subject to some degrees and some expect to replace the dollar in future.

Item -2: Many people trade Virtual Currency in Erbil

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	27	31.8	31.8	31.8
Disagree	18	21.2	21.2	52.9
Not Sure	22	25.9	25.9	78.8
Agree	18	21.2	21.2	100.0
Total	85	100.0	100.0	

21.2% of respondents know someone trading virtual currency while 8.8% do not know anyone trades digital currency. Based on my interviews, as of the time of the interview, a small portion of the respondents knows someone trades or use digital currency.

Question-3: Virtual Currency provides lot of benefits

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	19	22.4	22.4	22.4
Disagree	14	16.5	16.5	38.8
Not Sure	26	30.6	30.6	69.4
Agree	25	29.4	29.4	98.8
Strongly Agree	1	1.2	1.2	100.0
Total	85	100.0	100.0	

30.6% of respondents have some knowledge of benefit from virtual currency while 69.4% of the respondents have no knowledge of the benefit of digital currency.

Based on the interview, around twenty percent of respondents know the profit gained by Bitcoins and they think it's a lucrative business comparing to other currencies or other asset classes such as real estates.

Item -4: Virtual Currency is safe to buy

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	20	23.5	23.5	23.5
Disagree	13	15.3	15.3	38.8
Not Sure	21	24.7	24.7	63.5
Agree	22	25.9	25.9	89.4
Strongly Agree	9	10.6	10.6	100.0
Total	85	100.0	100.0	

36% of respondents think digital currency is safe to buy while 64% of respondents don't think it's safe to buy virtual currency. When comes to safety, majority of respondents didn't consider virtual currency is a safe currency even though some of them think it's a rewarding business.

Item-5: Investments in Virtual Currency brings lot of profit

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	17	20.0	20.0	20.0
Disagree	16	18.8	18.8	38.8
Not Sure	22	25.9	25.9	64.7
Agree	22	25.9	25.9	90.6
Strongly Agree	8	9.4	9.4	100.0
Total	85	100.0	100.0	

35.3% of respondents believe that investing in virtual currency can make profit while 64.7% believe can't make profit from digital currency. On the other hand, based on the interviews, around twenty percent of respondents know the profit gained by Bitcoins and they think it's a lucrative business comparing to other currencies or other asset classes such as real estates.

Item -6: Advertisement campaigns on Virtual Currency attract the public

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	21	24.7	25.0	25.0
	Disagree	16	18.8	19.0	44.0
	Not Sure	25	29.4	29.8	73.8
	Agree	17	20.0	20.2	94.0
	Strongly Agree	5	5.9	6.0	100.0
	Total	84	98.8	100.0	
Missing	System	1	1.2		
Total		85	100.0		

25.9% of respondents think there should be more advertising for the public to be aware of the existence of crypto currency while 74.1% think there shouldn't be any advertising for virtual currency. Based on the interview, in case of whether should be more advertisement about virtual currency, seventy percent of respondents think more commercial advertisement needed while around ten percent think advertisement should be prohibited due to its incomparability to Islamic Sharia.

Item 7: Trade of virtual currency is transparent in KRG

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	20	23.5	23.5	23.5
	Disagree	16	18.8	18.8	42.4
	Not Sure	21	24.7	24.7	67.1
	Agree	19	22.4	22.4	89.4
	Strongly Agree	9	10.6	10.6	100.0
	Total	85	100.0	100.0	

33% of respondents trust to trade virtual currency in KRG while 67% don't trust such trade. Based on the interviews, 90% of respondents have no idea on how to trade crypto currency. Very small portion of the respondents have done some research on trading.

Item 8: Virtual Currency involves lot of problems

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	26	30.6	30.6	30.6
Disagree	25	29.4	29.4	60.0
Not Sure	14	16.5	16.5	76.5
Agree	10	11.8	11.8	88.2
Strongly Agree	10	11.8	11.8	100.0
Total	85	100.0	100.0	

23.6% of respondents aware of the problem with digital currency while 76.4% are not aware of any problem with digital currency.

Around 50% respondents consider virtual currency a scam and a gamble and it will die out one day. Some respondents think it's a danger game and no one should get into it

Item 9: Profit from Virtual Currency is accepted

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	31	36.5	36.5	36.5
Disagree	24	28.2	28.2	64.7
Not Sure	17	20.0	20.0	84.7
Agree	7	8.2	8.2	92.9
Strongly Agree	6	7.1	7.1	100.0
Total	85	100.0	100.0	

15.3% of respondents accept profit from virtual currency while 84.7% don't accept profit from digital currency. Based on the interview, high percentage of respondents didn't accept profit due to not knowing of acceptance of Islamic Sharia law.

Item 10: Introducing Virtual Currency concept through KRG is more trustworthy

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	18	21.2	21.2	21.2
Disagree	12	14.1	14.1	35.3
Not Sure	22	25.9	25.9	61.2
Agree	24	28.2	28.2	89.4
Strongly Agree	9	10.6	10.6	100.0
Total	85	100.0	100.0	

33% respondents think the public should trust virtual currencies while 67% stated that public shouldn't trust crypto currencies. Based on the interviews, high percentage of respondents stated that the public should trust virtual currencies in KRG due to the lack of law in that regard.

Item 11: Usage of online to purchase Virtual Currency is risky

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	19	22.4	22.4	22.4
Disagree	15	17.6	17.6	40.0
Not Sure	37	43.5	43.5	83.5
Agree	9	10.6	10.6	94.1
Strongly Agree	5	5.9	5.9	100.0
Total	85	100.0	100.0	

Only 14% of respondents believe using internet to purchase virtual currencies while 86% don't use internet to purchase digital currencies. Based on the interviews, high percentage of respondents would not buy digital currencies online.

Item 12: Buying Virtual Currency is accepted for me.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	22	25.9	25.9	25.9
Disagree	18	21.2	21.2	47.1
Not Sure	24	28.2	28.2	75.3
Agree	12	14.1	14.1	89.4
Strongly Agree	9	10.6	10.6	100.0
Total	85	100.0	100.0	

21% of respondents consider buying digital currency while 79% don't consider buying digital currency. Based on the interview, high percentage of respondents consider buying digital currency if know how to buy them and if it's not against the law.

Item 13: Referring others to buy Virtual Currency is a good idea

suggest others to buy VC

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	21	24.7	24.7	24.7
Disagree	12	14.1	14.1	38.8
Not Sure	19	22.4	22.4	61.2
Agree	17	20.0	20.0	81.2
Strongly Agree	16	18.8	18.8	100.0
Total	85	100.0	100.0	

33% of respondents will suggest other to buy crypto currency while 67% of respondents wouldn't suggest other to buy. Based on the interview, most respondents don't suggest others to buy until after they experience themselves.

Conclusion

The present research concludes that many respondents have negative opinion on virtual currency in Iraqi culture. Many respondents follow Islamic culture strictly where they don't want to take money that comes as free without their effort. Many respondents don't have knowledge on virtual currency where companies related to virtual currency can come explore the market in Kurdistan region.

Limitations of the study

As present research is pilot study and sample size is small, results of current study do not represent entire population and may change with the size of the sample.

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