

Socio – Economic impact of cryptocurrency related financial scams in Sri Lanka

KAM Chandrasiri^{1#}, KKDPHS Ranweera¹, and MACL Perera¹

¹Faculty of Criminal Justice, General Sir John Kotelawala Defence University, Sri Lanka

#39-ps-0004@kdu.ac.lk

Abstract

This study investigated the socio-economic impact of cryptocurrency-related financial scams in Sri Lanka from 2018 to 2023. Cryptocurrency offers valuable financial opportunities but has also become a haven for scams, which negatively impacts economies and societies. The objective of this study was to measure the financial damages, identify the factors that contribute to victimization and to evaluate socio-economic impact of people and communities. We used a mixed methods approach to analyze the qualitative data from victim interviews, financial experts, and policymakers and the quantitative data from articles, police records, and financial reports. According to initial studies, there have been recorded cryptocurrency scams that have resulted in significant losses in millions of dollars which approximately exceed \$12.5 billion in 2023. In addition to destroying people's savings and personal wealth, these losses have damaged public confidence in cryptocurrency. Impacts on society include victims suffering from mental health problems and family conflicts such as social isolation, fear of digital financing and domestic violence due to lack of money. The study also examined the regulatory responses by Sri Lankan authorities and the effectiveness of these measures in limiting such fraudulent activities. The finding highlighted the need for strong laws and regulations and public awareness to protect people from scams and rebuild trust in the digital finance sector by exposing these socio-economic effects. This paper provides valuable insights into root causes for victimization and the need for educating the public, financial institutions, and lawmakers on the significance of keeping alert. It also offers crucial information for the development of targeted policies and programs aimed at preventing financial scams in Sri Lanka.

Keywords: *financial scams, cryptocurrency, socio-economic impact, Sri Lanka*