

# Analysing the Investor Category of Cryptocurrency

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**Abstract:-** Cryptocurrency has become an issue that have attracted the attention of individuals, investors and government taking into play that the rate at which it has been patronized online and the media hype its getting. This paper tends to examine cryptocurrency as an investment tool and its missing link. However, the paper identifies the major types of cryptocurrencies, how is it exchanged and measured. It further revealed the benefits of the digital currency as it is secured; transfers are made easier, less processing charges, removing the bottle necks when using banks and other financial institution as intermediary, etc. Despite these benefits, there tend to be a missing links which could affect its operations. Amongst which are lack of government support, transparency issues, subject to loss, theft and fraud, lack of central repository and investors protection clause, etc. The paper concludes that cryptocurrency as an economic innovation is disruptive the way it's currently managed and if this vacuum is not adequately addressed, it will not survive in the future. The study further recommends that there is need to create a legal & regulatory framework guiding its operations, ensure full disclosure on its transactions, need to be centralized in nature and investors protection clause should be incorporated, etc.

## I. INTRODUCTION

Cryptocurrencies are a new-age digital currency in a decentralized form with the aim to ease payments between two individuals or business without an intermediary. They initially started with the advent of Satoshi Nakamoto wanting to create “an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party.”(Brown and Whittle, 2020) He created something called a Bitcoin which has become very synonymous with the word cryptocurrency even today. The main aim of these cryptocurrencies is to duplicate the idea of a currency or money and provide a relatively newer application for it.

These currencies are not physical in nature and are a purely digital form of currency with a ledger. The idea of

inflation currently does not affect them as the algorithms keep creating more and more coins based on demand. (Fleiss, Eom and Tu, 2021) What initially started in 2009 as a simple concept has now emerged as a new-age investment tool and although Bitcoin is still the market leader and the “Big Daddy” of cryptocurrencies, there are dozens that have the same stature, and thousands that are being traded on the market as we speak and are valued at over \$2 trillion.

The crypto market has seen a lot of ups and downs and is one of the most volatile assets at this point in time. Someone who invested in Bitcoin in 2009 has had exponential returns unlike any stock one has traded, it has gone up 50,000 times in value in just 13 years. The question that goes with the same is that what made it gain so much value when it was not even linked to an asset? What comes to mind when one invests in a said cryptocurrency? The intrinsic value of these so called alt-coins is not linked to anything, what drives up its value and what makes the value drop?

What we know at this point is that most people, be it institutional investors or amateur traders like us are just investing in cryptocurrency without any knowledge, and we are just trying to hit a jackpot by putting in a small amount upfront. Most people use it as a diversification tool in these uncertain times, as it has no linkage or association with any investment tool we know of at this point. It works as a negative beta for most people at this point, and since the markets have been very uncertain recently, the value of investments in cryptocurrencies have significantly gone up this year globally.

It is a very young market and has way too many uncertainties but so did other assets at the time of inception but what it lacks is the element of tangibility. There are other critiques that argue that it might be the best thing that we may have come across, and are starting to deal with the future whereas some believe it is a long con that will just vanish, and be the largest fraud in the history of mankind since it is a very speculative investment tool. (Smales, 2022)

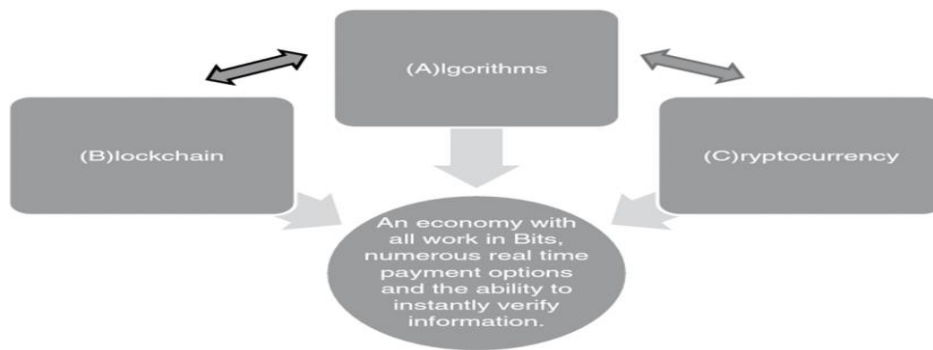
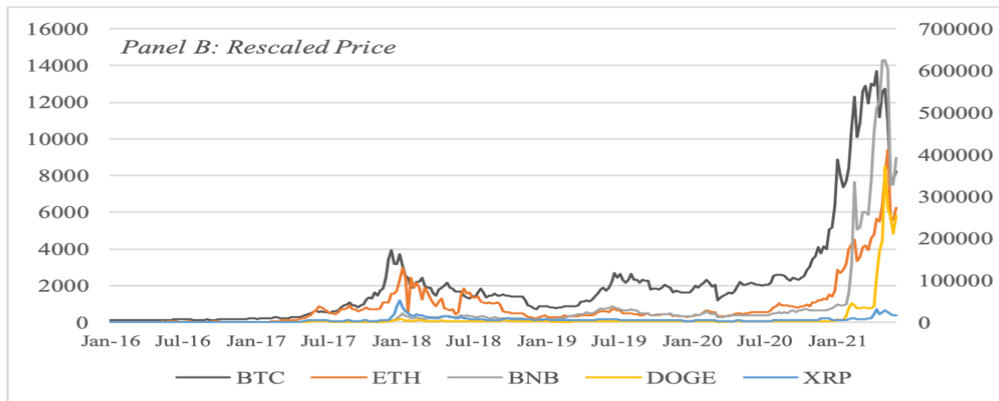
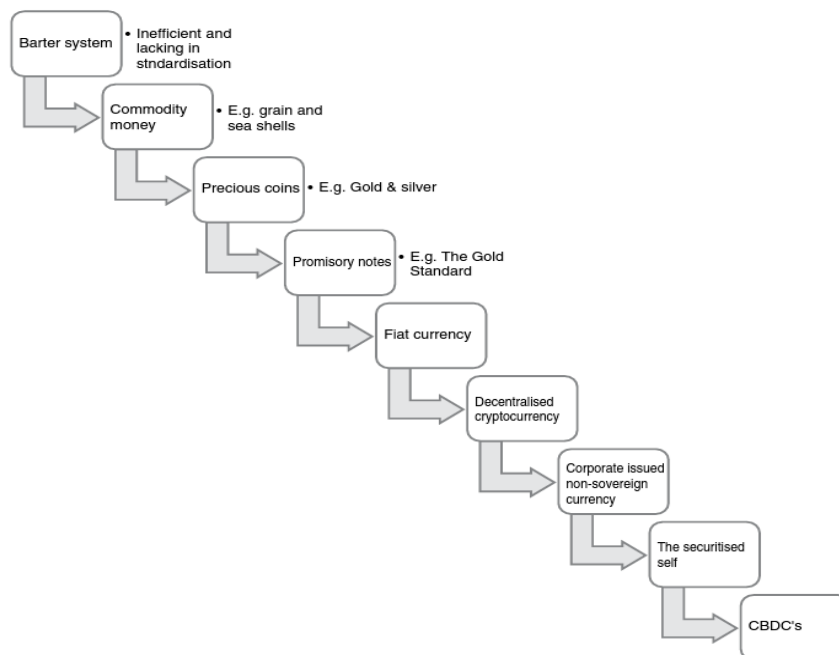


Chart 1: (Brown and Whittle, 2020)



**Figure 1. Cryptocurrency Prices**

*Note:* This figure shows the price evolution of the five largest cryptocurrencies (Bitcoin, *BTC*; Ethereum, *ETH*; Binance Coin, *BNB*; Dogecoin, *DOGE*; and *XRP*). Panel A shows the nominal price and Panel B shows the price rescaled to the earlier of 01 January 2016 or the issuance date.



**Fig. 2. The Evolution of Money Over Time.**

## II. HOW IS CRYPTOCURRENCY TRADED GLOBALLY?

Cryptocurrencies have become the talk of the town, especially with what has been happening with the Ukraine-Russia war. Equity as well as other market investors have realized or have had some google search on what is a cryptocurrency because at a time like this when aid cannot be pushed across to Ukraine, most of the funding has been through cryptocurrencies, which has been a major factor for the crypto markets recovering from the two-week rundown.

This was one of the ways that the global markets are trading cryptocurrency and using it as a safety tool to transfer funds to others but there are some more ways in which crypto- especially Bitcoin and Ethereum are being traded:

- **Exchanges:** Just like one has a trading account with a broker for an equity market, the same works for the crypto market as well. You can trade them on the ETC market and store them in your account for a small fee for every transaction and sell them as and when you want to. These exchanges normally have a certain amount that you can hold in a wallet before charging you a premium if you want to hold more and have a certain limit to how much you can withdraw in a day, in real money. (What is cryptocurrency trading and how does it work?, 2021)
- **Derivatives:** They are called CFD's and are traded on a regular exchange- they are basically derivative products that enable one to make money if they can speculate correctly without using too many funds at a single time just like an option works. They are generally quoted in US Dollars and are hence traded the maximum in the United States. You do not take ownership at any given point if the trade is made through a CFD account. (What Are Bitcoin Exchange-Traded Funds: All You Need To Know, 2021)
- **Over the Counter Market:** Just like any OTC market, the one for cryptocurrencies, especially Bitcoin was started to ease trade and do higher volumes of trade since miners were always in a need to liquidate and they could not do it through regular exchanges as easily. It was launched in 2014 and allowed larger transactions of cryptocurrency as compared to regular exchanges and cut out the middleman to get a better deal for their trade. Roughly has \$20 billion/day versus the \$12 billion/day in the ETC markets across the globe. This helped crypto become a more liquid market versus the common misconception that it is very illiquid. It also helps in eliminating the limiting the normal wallet offers for e.g., \$25,000/day for Coinbase wallets. (How Does A Bitcoin Over The Counter (OTC) Market Work? [Explained] | HackerNoon, 2021)
- **Ethereum traded for NFT's:** NFT's (Non-Fungible Tokens) which have become so common today and are advertised like it is the next Google or Apple stock one should buy when the company initially launched. These are based on the Ethereum blockchain and can only be bought or sold using Ethereum altcoins. They are traded on the grey markets as well as online through exchanges. They basically are a way to get content copyrighted right away and have immense value since the content is normally art. People have started using this post COVID-19 since everything went online and art had also started

auctioning online, which made it easier to be replicated- with the advent of NFT's it is easier to get the benefit of doubt and get royalties when anyone uses your copyrighted content. These are the main components of the upcoming Metaverse and see huge trades every day.

- **Bitcoin on the Dark Web:** Although this is the illegal side of the things, Bitcoin is one of the most used modes of payment on the Dark Web since the inception of the Silk Road. It has been used to trade in drugs, weapons, and everything possible one can think of and makes up for most of the market usage of Bitcoin.

## III. LITERATURE REVIEW

Bitcoins are mainly used for speculative investment (Baur et al., 2018) and are susceptible to bubbles (Cheah and Fry, 2015; Fry and Cheah, 2016; Corbet et al., 2018a; Fry, 2018). Corbet et al. (2019) suggest that bubbles are a result of the trilemma that exists between regulatory oversight, illicit use, and cyber-criminality. Alternatively, Griffin and Shams (2020) argue that extreme speculation surrounding an innovative technology provides a good fit for the common characterization of bubbles. As the cryptocurrency market has matured, and liquidity has increased, pricing has become more efficient and returns less predictable (Urquhart, 2016; Brauneis and Mestel, 2018; Tiwari et al., 2018; Wei, 2018). In establishing a way to short the market, and provide access for institutional investors, Bitcoin futures allowed for further improvements in market efficiency (Kochling et al., 2019), although volatility rose further after their December 2017 introduction (Corbet et al., 2018b; Kim et al., 2020).

The introduction of alternative coins, with their idiosyncratic properties, has allowed for further expansion of the literature. For instance, as Bitcoin's market share has declined, cryptocurrency markets have become more connected (Ciaian et al., 2018; Smales, 2020; Aslandis et al., 2021). The cross- section of expected returns is largely explained by a three-factor model of cryptocurrency market returns, size, and momentum (Liu et al., 2019; Liu et al., 2020; Liu and Tsyvinski, 2021). Most recently, Lucey et al. (2021) introduced a news-based Cryptocurrency Uncertainty Index (UCRY) that captures uncertainty around cryptocurrency policy and prices. While it seems that this measure has not yet been applied in an empirical setting, it is apparent that Bitcoin returns and volatility are influenced by global uncertainty (Bouri et al., 2017; Demir et al, 2018; Fang et al., 2019).

Liu and Tsyvinski (2021) argue that the influence of investor attention on price is an important and unique characteristic of cryptocurrency markets. It is therefore of little surprise that several papers, related to our study, have explored how this influence may manifest. Several measures of investor attention are used. For instance, Al Guindy (2021) uses tweets, Urquhart (2018) and Bouri and Gupta (2021) apply internet search volume for cryptocurrency (as we do) and policy uncertainty keywords respectively, while Sabah (2020) utilizes the number of new venues accepting cryptocurrency.

However, the empirical question is unresolved. On the one hand, Urquhart (2018) finds unidirectional causality from realized volatility and trading volume to internet search volume. On the other hand, there is evidence that the volume of internet searches, and tweets, can predict Bitcoin trading volume and volatility, particularly among uninformed traders, but not returns (Aalborg et al., 2019; Shen et al., 2019; Ibikunle et al., 2020). Extending this to the wider cryptocurrency market, the literature suggests that investor attention is influenced by past returns (Lin, 2021), forecasts future returns (Liu and Tsyvinski, 2021), volatility (Sabah, 2020; Al Guindy, 2021), and the correlation between cryptocurrencies (Chuffart, 2021).

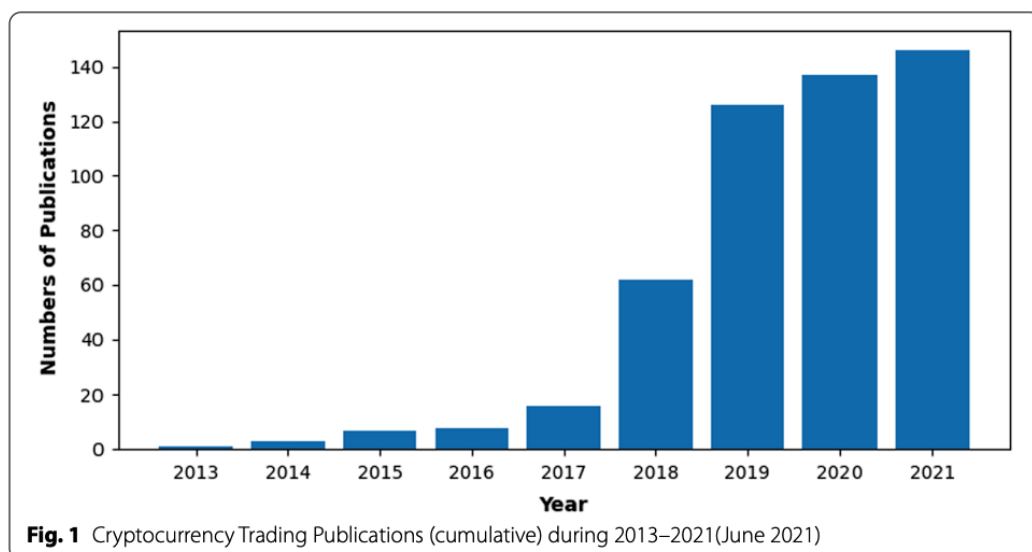
We follow Da et al. (2011) in using Google search volume as our measure of investor attention. This makes sense for several reasons. First, internet searches are a direct (and revealed) measure of attention. Anyone searching for a particular cryptocurrency is certainly paying attention to it. Second, as they account for close to 90% of global internet search volume, Google searches are likely to be indicative of search behaviour of the broad population. Finally, since institutional investors can access numerous professional news services, Google search volume is more likely to proxy for information acquisition by retail investors (Da et al., 2011), the investor-type most prone to cryptocurrency speculation.

**CryptoDiffer** 11 SEPTEMBER 2020

**TOP CRYPTOCURRENCY EXCHANGES LIST BY NOMICS**

| RANK | EXCHANGE                                  | TRANSPARENCY GRADE | NUMBER OF PAIRS | VOLUME, 24H     | NUMBER OF TRADES, 24H |
|------|---|--------------------|-----------------|-----------------|-----------------------|
| 1    | <b>BINANCE</b>                            | A                  | 1068            | \$7,485,018,226 | 11,372,753            |
| 2    | <b>BitMEX</b>                             | A                  | 235             | \$1,378,546,709 | 406,596               |
| 3    | <b>bitFlyer</b>                           | A                  | 57              | \$1,021,964,349 | 1,379,299             |
| 4    | <b>FTX</b>                                | A                  | 960             | \$801,410,879   | 902,697               |
| 5    | <b>bybit</b>                              | A                  | 4               | \$761,348,636   | 302,218               |
| 6    | <b>Phemex</b>                             | A                  | 6               | \$610,417,158   | 189,270               |
| 7    | <b>Deribit</b>                            | A+                 | 22367           | \$436,713,011   | 212,453               |
| 8    | <b>coinbase   Pro</b>                     | A                  | 91              | \$358,270,570   | 576,995               |
| 9    | <b>kraken</b>                             | A                  | 197             | \$202,307,779   | 180,090               |
| 10   | <b>Liquid</b><br><small>by Quoine</small> | A                  | 451             | \$190,868,686   | 286,092               |
| 11   | <b>Bitstamp</b>                           | A                  | 30              | \$146,578,074   | 69,632                |
| 12   | <b>DeversiFi</b>                          | A                  | 299             | \$110,127,335   | 194,048               |
| 13   | <b>gate.io</b>                            | A                  | 591             | \$81,868,006    | 310,209               |
| 14   | <b>PROBIT</b>                             | A                  | 645             | \$74,416,753    | 459,020               |
| 15   | <b>Delta Exchange</b>                     | A+                 | 679             | \$50,318,300    | 107,155               |

SOURCE: **nomics**





#### IV. ANALYSIS OF INVESTOR CATEGORIES IN CRYPTO-CURRENCIES

It is of critical importance to know who the people are who invest in a certain asset, and what characteristics do these investors possess that make them want to invest in something specific like a cryptocurrency when there is a plethora of investment options available. Cryptocurrency has been present since 2009 but why are we seeing the greatest number of investors coming in now? What changed and why do people consider it an investment alternative today versus just a concept as early as 2015. What is attracting these said investors despite most governments deregulating it or advising against holding it? Is it the amount of new literature we now possess, or is it the skyrocketing price? Or the lifestyle of these bitcoin billionaires? Or is it the constant headline in the media about what should be your investment for the future?

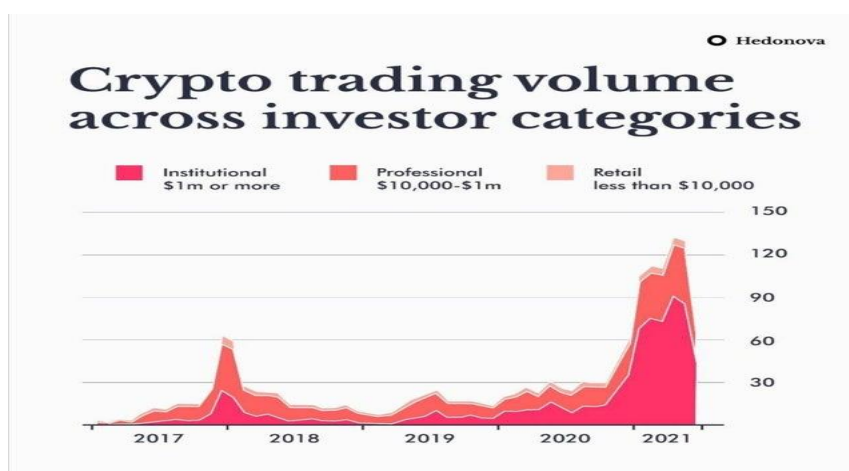
For starters, it is difficult to come to a very realistic investor profile since the idea of cryptocurrency is anonymous, it is conceived to maintain anonymity. There are although certain factors which could help us build somewhat of an investor profile and help us visualize what a crypto trader or cryptocurrency investor typically looks like:

- Most investment comes from retail investors.
- According to data from a German Bank, Cryptocurrency traders have more assets under management, to be exact, 60% more than a general non-crypto trader.
- They are most likely male.
- Between the age of 20-40.
- Have a higher disposable income.
- They are known to trade more frequently (minimum 9 trades a month)
- They tend to check their broker accounts way more often than a normal equity investor.

- They are more likely to trade in the derivative markets, and generally have a higher equity portfolio.
- They are more tech-savvy and hence the age category with younger investors is high.
- Time to time investing and managing portfolios on their own.
- Average logins are 16.5 times. (Hackethal, Hanspal, Lammer and Rink, 2021)
- They are high-risk takers
- Their portfolio betas average 1.54
- More likely to invest in high return schemes and new ventures.
- Dominant in penny-stock trading
- Rich and mostly young millionaires
- Have a crypto portfolio between \$10000-\$50000
- Are avid social media users (Keller and Scholz, 2019)

These are some of the main characteristics of the crypto investor but there are some others which include very quick trading patterns, most traders do not hold, and do intra-day trading, and take a higher risk. They are very affected in their intra-day patterns with social media, the market sentiment quickly changes with a single tweet, or a news article. Since the market works 24\*7, the market sees a lot of volatility, almost as much as 8-10% a day and the behavior of crypto investors is what makes the market so volatile because most people do not want to lose money and are easily influenced by other pro-traders or some form of media. (Hackethal, Hanspal, Lammer and Rink, 2021)

In all, the investors according to me are still very fickle-minded and easier to sway, and hence the volatility of the cryptocurrency markets. The market clearly runs on adrenaline, and some news.



(Hedonova, 2021)

**Table 2: Portfolio characteristics**

This table reports descriptive statistics on portfolio characteristics of cryptocurrency and noncryptocurrency investors from the full sample. The last column reports the difference in means between the groups. *Years with bank* defines the time from the start of the relationship until the end of 2017. *Risky share* is the portfolio value divided by total wealth. *Trade risk* is a measure provided by the bank on a scale from 0 (money market funds) to 5 (turbo certificates). Reported values are calculated by first computing the annual average for the previous 12 months and then calculating the cross-sectional average of these values across all investors. The variables *avg. cryptocurrency trade*, *avg. cryptocurrency holding*, and *avg. cryptocurrency share* are averaged over the holding period. Standard deviation is in parentheses. \*, \*\*, and \*\*\* denote significance at the 10%, 5% and 1% levels, respectively.

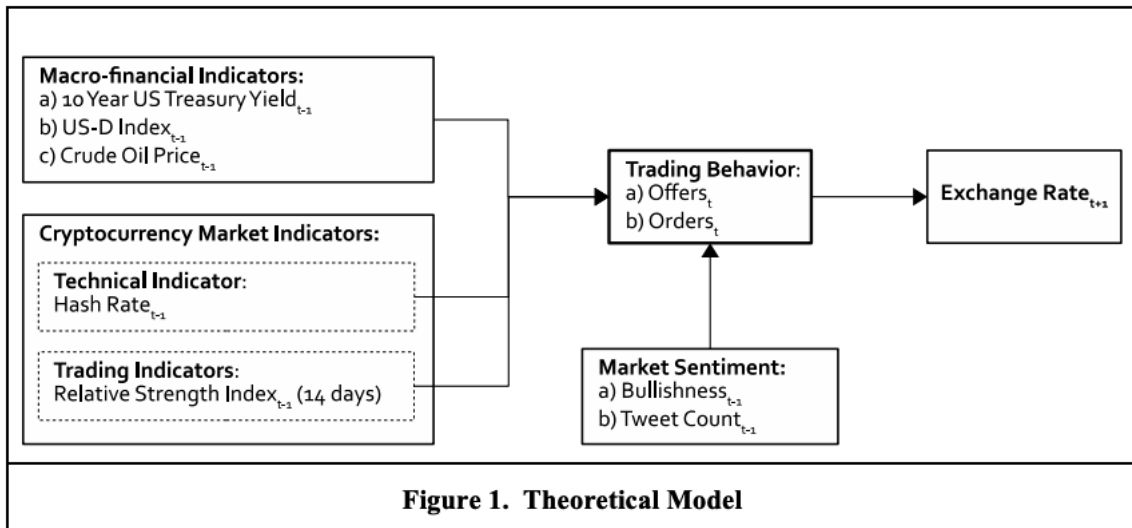
|                                 | (1)<br>All       | (2)<br>Noncryptocurrency | (3)<br>Cryptocurrency investors | (4)<br>T-test<br>(3) - (2) |
|---------------------------------|------------------|--------------------------|---------------------------------|----------------------------|
| <b>A. Investment experience</b> |                  |                          |                                 |                            |
| Years with bank                 | 12.28<br>(5.42)  | 12.30<br>(5.42)          | 11.01<br>(6.06)                 | -1.28***<br>(-7.17)        |
| Avg. monthly logins             | 27.08<br>(99.09) | 26.64<br>(97.91)         | 82.53<br>(188.94)               | 55.89***<br>(17.14)        |
| Avg. monthly trades             | 2.03<br>(12.34)  | 1.97<br>(12.19)          | 9.04<br>(23.21)                 | 7.07***<br>(17.41)         |
| I: Stock participation          | 0.70<br>(0.46)   | 0.70<br>(0.46)           | 0.95<br>(0.21)                  | 0.26***<br>(16.97)         |
| I: Derivative participation     | 0.18<br>(0.38)   | 0.17<br>(0.38)           | 0.47<br>(0.50)                  | 0.30***<br>(24.08)         |
| I: Warrant participation        | 0.04<br>(0.20)   | 0.04<br>(0.19)           | 0.17<br>(0.37)                  | 0.13***<br>(19.95)         |
| I: Bond participation           | 0.07<br>(0.26)   | 0.07<br>(0.26)           | 0.08<br>(0.27)                  | 0.01<br>(1.10)             |

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(Hackethal, Hanspal, Lammer and Rink, 2021)



(Fang et al., 2022)

|                                   | (1)<br>Noncryptocurrency<br>investors | (2)<br>Cryptocurrency<br>investors | (3)<br>T-test (2) - (1) |
|-----------------------------------|---------------------------------------|------------------------------------|-------------------------|
| Portfolio beta                    | 1.24<br>(0.57)                        | 1.34<br>(0.72)                     | 0.10**<br>(2.81)        |
| Annualized Return loss (%)        | 4.03<br>(0.94)                        | 6.80<br>(3.34)                     | 2.77<br>(1.71)          |
| Relative Sharpe Ratio Loss (RSRL) | 0.28<br>(0.23)                        | 0.31<br>(0.23)                     | 0.03**<br>(2.66)        |
| N                                 | 726                                   | 611                                | 1,337                   |

(Hackethal, Hanspal, Lammer and Rink, 2021)

**Indicator Impact on Investors' Behavior**

We analyzed the effect of several indicators on the first difference of placed bids per cluster with our first econometric model (Equation 2) and the SIMEX approach. The results for the six investor types that place order bids are presented in Table 4. The adjusted  $R^2$  values and the information criteria were calculated based on residuals, because log-likelihood values are not available with SIMEX (Yang et al. 2018).

|                                 | Cluster 1    | Cluster 2    | Cluster 3    | Cluster 4    | Cluster 5  | Cluster 6  |
|---------------------------------|--------------|--------------|--------------|--------------|------------|------------|
| $\Delta BidCount_{t-1}$         | -0.383***    | -0.275**     | -0.208***    | -0.114***    | -0.367***  | -0.166***  |
| Weekend <sub>t</sub>            | -1025.858*** | -1001.167*** | -1206.337**  | -280.663     | -526.638** | -74.899    |
| TweetBullishness <sub>t-1</sub> | -603.500*    | 293.759      | -625.703     | 164.686      | 276.364    | 55.431     |
| TweetCount <sub>t-1</sub>       | -33.194*     | 7.985        | 54.327       | -13.750      | -5.710     | -5.581     |
| RSI(14) <sub>t-1</sub>          | -9.811       | -65.900      | -40.960      | 42.897       | -9.422     | 14.518*    |
| USDollar <sub>t-1</sub>         | 503.980      | 1555.740**   | 3192.708***  | -1075.967*   | 666.398**  | -217.240*  |
| USTreasury <sub>t-1</sub>       | -5195.815    | -6019.683    | -19956.359** | -12589.111** | -5574.799  | -2016.492  |
| Oil <sub>t-1</sub>              | 269.771      | 168.136      | 978.018***   | -1244.815*** | 149.848    | -217.240*  |
| BitcoinHash <sub>t-1</sub>      | -195.694     | 896.073      | -842.537     | -898.260*    | -312.653   | -243.037** |
| Adj. R <sup>2</sup>             | 0.106        | 0.332        | 0.440        | 0.830        | 0.132      | 0.748      |
| AIC                             | 1710.148     | 1814.489     | 1865.902     | 1733.046     | 1674.680   | 1440.137   |
| BIC                             | 1775.773     | 1880.114     | 1931.526     | 1798.670     | 1740.304   | 1505.762   |

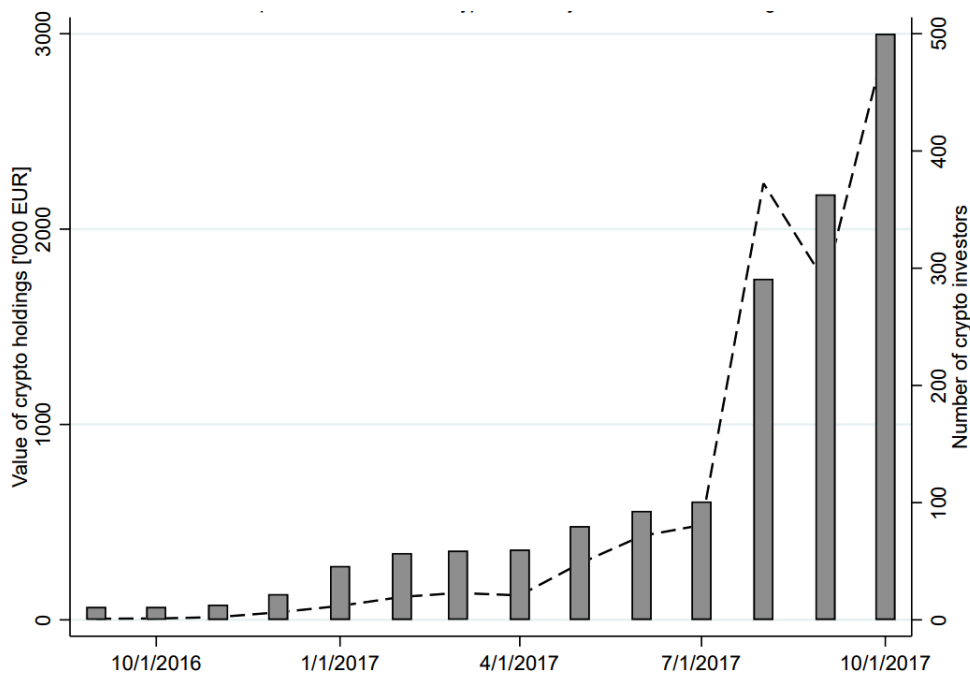
(Keller and Scholz, 2019)

| Crypto-investors Classification     |   |  |
|-------------------------------------|---|--|
| Investor Type                       | Investment Purpose  | Crypto Assets of interest                                  |
| Venture Capital                     | Backing an early-stage project  | Bitcoin, Ethereum, utility tokens, governance tokens       |
| Crypto-native startups              | Safekeeping of a token treasury they've created   | Tokens of new protocols                                    |
| Traditional corporate               | Treasury diversification and hedging, alternative investment strategy                         | Bitcoin, Ethereum  |
| High net worth individuals (HNWI's) | Diversification, hedge, initial crypto exposure   | Bitcoin, Ethereum, altcoins & DeFi tokens if sophisticated |
| Crypto funds & Hedge funds          | Investing in a fast-growing asset class, market neutral trading                               | Diverse investments including derivatives                  |
| Family offices & Asset Managers     | Hedge, alternative investment strategy, improved portfolio construction (better Sharpe ratio) | Bitcoin, Ethereum  |

(Hackethal, Hanspal, Lammer and Rink, 2021)

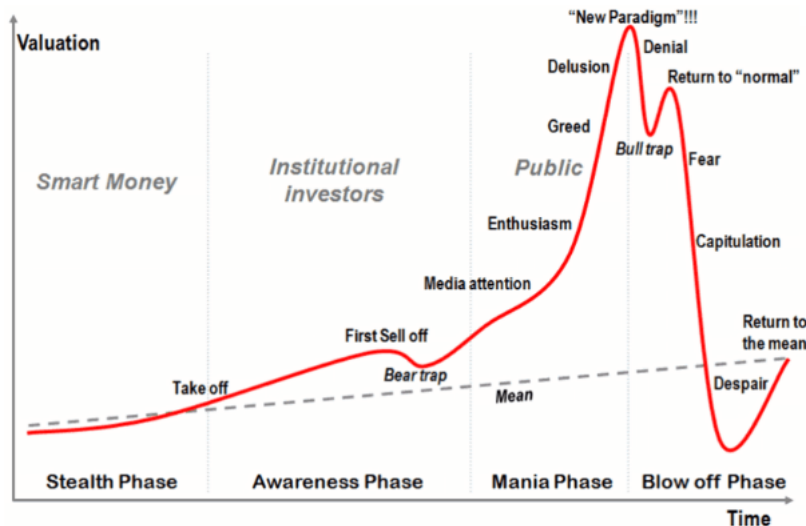
**Figure 2: Development of number of cryptocurrency investors and cryptocurrency holding value**

This figure shows the development of the number of cryptocurrency investors in the sample (bars) and the portfolio holding value of cryptocurrency ISINs in the sample in EUR '000 (dashed line). The numbers are the reported numbers for the month and are not cumulative



(Hackethal, Hanspal, Lammer and Rink, 2021)





(Keller and Scholz, 2019)

## V. INDIAN MARKETS VS GLOBAL MARKETS

The market cap of the cryptocurrency market is huge, although it is still smaller than most asset classes that people regularly trade on and consider safer investments but the rate at which it has been growing and is predicted to grow is way more than any other asset class we have ever seen. The global markets have seen a tremendous boost in crypto investments since 2013 and have been regulated in the United States since 2017 which is one of the largest markets for crypto traders

The global markets have had a lot of issues with regulation too but have come to terms with it for the last few years and have recognized it as a potential investment tool and a mode of payment. El Salvador has even started accepting payments throughout the country and has recognized it as a currency, while Russia had also recently considered Bitcoin as a proper investment tool.

The global markets are relatively more relaxed with regulations- countries such as the US, Australia, Japan, and UAE have attracted a lot of crypto investors and crypto houses towards them and are making a lot of money by allowing businesses to come and deal in cryptocurrency. The trade volumes from these countries, especially The United States is extremely high as compared to India, although Indians have the greatest number of cryptocurrencies, which is mainly due to the population, and the slow easing of rules since 2021. (Cryptocurrency in India: Demographic Survey of the Domestic Cryptocurrency Market, 2022)

The global markets have been known to take heavier risks and jump into a newer technology faster as compared to India and we are a bare minimum of 5 years behind in the development of a proper cryptocurrency market. The question isn't whether there will be a cryptocurrency market but when will there be one. The global markets have hit the \$2 Trillion mark and are expected to hit the \$38 Trillion market cap by 2028 with a CAGR of almost 56% which is the biggest jump in the history in the market capitalization

of an asset. (Cryptocurrency in India: Demographic Survey of the Domestic Cryptocurrency Market, 2022)

I would like to differentiate the markets in a couple of ways:

### A. Regulation:”

- Global: More eased norms in the countries that are doing well in this market.
- India: Confusion created by the government with the constant change of whether to accept cryptocurrency while still putting out an e-rupee which is intended to run on the same technology.

### B. Investor Mindset:”

- Global: See it as an investment with future potential and are thoroughly researching it more in order to maximize returns.
- India: Are investing post the exponential returns of Bitcoin and the Budget.

### C. Technology:”

- Global: The top trading countries are developed countries and have a use for cryptocurrency because of the transparency in payments, and the infrastructure to hold such a large market.
- India: Still has more money in the unorganized sectors and prefers cash payments and cannot potentially see cryptocurrency as something we would use very soon. Need better and more efficient technology.

### D. Government:”

- Global (US, Australia, Japan, UAE)- Have government support- Biden recently signed for digital payments through cryptocurrency, and UAE has become a center for crypto traders.
- India- Government not very fixated and has added taxes even though it is not completely legal.

### E. Market structure:”

- Global- Has OTC Markets, has access to more alt-coins, and more wallets for newer currencies. The trade frequencies are relatively higher, and there are

many more options as to what you can and cannot do with a cryptocurrency.

- India- Barely has 5 exchanges, rather wallets that you can trade on, namely WazirX, CoinDCX, Kuber etc. and does not offer a lot of option except the significant altcoins such as Bitcoin and Ethereum. Does not have a proper OTC market as well, although trades very heavily on the darknet.

I believe that the Indian Crypto Markets have vast and unending potential and can surpass various markets around the globe if we have a clearer idea about the regulations and norms, and the support of the government and a fixated decision on whether it is considered an investment tool or not. Most people at this point that I know of and have invested in cryptocurrencies have either done it through or a relative or a friend in a country abroad to avoid such a mishap in the Indian market. India also needs to have an OTC market for the same, so it boosts the confidence of bigger investors and brings them into the game. At this point, even though 60% of the population is younger than the age of 35, we have very few investing in this investment tool.”

#### VI. RECOMMENDATION/JUSTIFICATION FOR CRYPTOCURRENCY AS AN INVESTMENT ASSET

As Cryptocurrency follows decentralized method of regulation and the prices solely depend upon the demand, supply and speculation of the markets. Despite the in heren trisks of each of the as sets provided in the global market, the Blockchain technology and cryptocurrencies are striving economically. Institutional investors, HNI's, and Professionals are looking at cryptocurrency like a potential investment tool which would grow and expand more in the upcoming future.”

The reason behind so much attraction in a less span of time is because of the exponential returns that Cryptocurrencies like Bitcoin, Ethereum and many more have provided to the investors. There have been many serious cause of concerns provided by the cryptocurrencies to the world. Some of the instances include Illegal purchases of weapons done via bitcoins, usage of Darknet. This creates a negative impact in the minds of the investors, where they doubt about investing their money in the digital platform.

Investing in Cryptocurrencies for long term or delivery will be a viable options for many of the investors as it would benefit them with profits. Applying futuristic approach will be the growth of Blockchain technology in the longterm, the moreone invests the more hegains, as this sector creates a huge impact on the financial sector.”

The primary reason an investor should invest in cryptocurrencies is due to Diversification’. Traditional investment assets like bonds, equities do provide a healthy and less risky portfolio. But with the coming up of modern technologies like digital currencies, one must diversify in this sector accordingly to balance the portfolio.Theun-parallelled performance given by cryptocurrencies can be thriving or providing huge profits as well as too risky at the

same time because of its volatility in the market.”(Karandikar, 2019)

#### VII. CONCLUSION

Adding cryptocurrencies to your portfolio can be valuable interms of holding as sets. The era of cryptocurrencies had made it quite easy for the investors to invest in the global market and with the Blockchain technology, the transactions have become more quicker, transparent and easy to access. The fact that the whole market is influenced by the supply and demand and speculation done by the investors makes it more attracting to the younger generation of investors. In this growing digital era, I think it would be a wise decision to invest in the global markets for longterm. The Indianmarket requires more development in terms of infrastructure, technology, government regulations including taxes and appreciating people to adapt the new technology.”

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