

# **Cryptocurrency as an Investment Option : A comparative analysis with Traditional Investment Options**

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by

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**Date : April 2023**

Examined by:

Seal of the School

## **DECLARATION BY STUDENT**

I hereby declare that the data presented in this Dissertation entitled, “ **Cryptocurrency as an Investment Option : A comparative analysis with Traditional Investment Options** ” is based on the results of investigations carried out by me in the Financial Services Discipline at the Goa Business School, Goa University under the Supervision/Mentorship of Dr. Pournima Dhume and the same has not been submitted elsewhere for the award of a degree or diploma by me. Further, I understand that Goa University or its authorities will be not be responsible for the correctness of observations experimental or other findings given the dissertation.

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## **COMPLETION CERTIFICATE**

This is to certify that the dissertation report “**Cryptocurrency as an Investment option : A comparative analysis with traditional Investment Options** ” is a bonafide work carried out by **Ms. Srishti Bhandari** under my supervision/mentorship in partial fulfilment of the requirements for the award of the degree of **Masters of Business Administration (Financial Services)** in the Financial Services Discipline at Goa University.

Dr. Pournima Dhume  
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Sincerely,  
Srishti  
Bhandari

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## **Abstract**

In recent years, the emergence of cryptocurrencies has introduced a new asset class to the investment world, which has gained a great deal of popularity and attention. With a fast growing investment option, Cryptocurrencies such as Bitcoin, Ethereum and other currencies have become the most promising form of return. The objective of this study is to compare cryptocurrencies with traditional investment options, such as stocks, bonds and real estate, to provide a comparative analysis of cryptocurrencies as a new investment option.

The study will examine the potential rewards, potential downsides, and potential upside of investing in cryptocurrencies while taking into account a variety of aspects like past performance, volatility, liquidity, regulatory environment, technological improvements, and investor opinion. Additionally, the study will compare investing in cryptocurrencies to more conventional financial options and examine the dangers involved, including as security and regulatory hazards.

The study will also compare the performance of cryptocurrencies with more established investment options in terms of risk-adjusted returns and the advantages of portfolio diversification. In order to get insight into the elements that affect investing decisions, it will also analyse how people invest in traditional and cryptocurrency options.

The data gathered from diverse sources will be analysed by the study using qualitative methodologies. The study's results should offer useful information on the potential of cryptocurrencies as a new investment alternative and their function in contemporary investment portfolios.

A mixed-methods approach will be used for the research, including both secondary and primary research. We will compile and evaluate previous information on cryptocurrencies and conventional investment possibilities. Reviewing current scholarship, legal frameworks, and technological developments in the bitcoin industry are all part of the qualitative analysis process. To learn more about investor mood and potential outcomes, a survey of investors was performed.

## **CHAPTER 1 - INTRODUCTION**

### **1.1 Introduction to Cryptocurrency**

A cryptocurrency is a digital or virtual currency that uses cryptography for security and operates independently of a central bank. The emergence of cryptocurrencies has disrupted the traditional investment landscape and provided investors with new ways to invest their money. Cryptocurrencies offer many attractive advantages for investors such as decentralization, transparency and security.

The most famous example of cryptocurrency is Bitcoin, created in 2009 by an unknown individual or group using the alias Satoshi Nakamoto. Since then, thousands of other cryptocurrencies have been created, including Ethereum, Ripple, and Litecoin. Each cryptocurrency has its own characteristics, use cases, and value proposition.

Unlike traditional currencies, which are usually backed by governments or other centralized bodies, cryptocurrencies operate on a decentralized network known as blockchain. A blockchain is a public ledger that records all transactions made in a currency, ensuring its integrity and security.

Cryptocurrencies are not physical and are not stored in banks or other financial institutions. Instead, it exists only as a digital record on the blockchain. Cryptocurrency transactions are made directly between two parties, and transaction details are recorded on the blockchain. One of the main advantages of cryptocurrencies is that they allow faster and safer transactions without the need for intermediaries such as banks or other financial institutions. Therefore, it is attracting attention among young investors as a new investment vehicle.

### **1.2 Key considerations for investing in cryptocurrencies:**

Investing in cryptocurrencies can be considered a form of alternative investment and comes with its own risks and potential rewards. It is important to note that the cryptocurrency market is highly volatile and prices can be subject to rapid fluctuations and regulatory and technical risks.

Important considerations to keep in mind before investing in cryptocurrencies-

1. **Research and Education:** It is important to thoroughly research and understand the cryptocurrency market, including different cryptocurrencies, their underlying technologies, market trends and risks. Learn about concepts such as wallets, exchanges, and private keys.
2. **Risk assessment:** Evaluate your risk appetite and investment objectives. Cryptocurrencies can be highly speculative and volatile, and it is important to consider the potential risks and rewards before investing.
3. **Diversification:** Diversify your investment portfolio to spread the risk. Avoid investing all your investment capital in cryptocurrencies and consider a diversified investment approach across different asset classes.
4. **Security:** Cryptocurrencies are vulnerable to cyberattacks, fraud, and other security risks. Take steps to protect your cryptocurrency holdings, such as, use strong passwords, two-factor authentication, and reputable wallets and exchanges.

5. Regulations: Cryptocurrencies are undergoing official tests in many countries. Get the latest information on the regulatory environment and legal status of cryptocurrencies in your jurisdiction.
6. Long-term outlook: Investing in cryptocurrencies should be approached with a long-term perspective. Short-term price volatility is common, and it's important to plan and stick to it rather than making impulsive investment decisions based on short-term market movements.
7. Expert Advice: Consider seeking advice from a qualified financial professional who can provide individualized advice based on your individual financial situation and investment objectives.

Investing in cryptocurrencies can be exciting and potentially profitable, but it also comes with risks. Thorough research, risk assessment, diversification, safeguards, regulatory awareness, long-term perspective, and expert advice are key factors to consider when investing in cryptocurrencies.

### **1.3 Opportunities of Cryptocurrency as an Investment Option**

- 1) High return potential: One of the most important opportunities when investing in cryptocurrencies is the potential for high returns. Cryptocurrencies like Bitcoin have seen significant price increases over the years, yielding significant returns for early adopters and investors.
- 2) Diversification: Investing in cryptocurrencies offers investors the opportunity to diversify their investment portfolio. Cryptocurrencies can provide a hedge against market volatility as they are uncorrelated with traditional assets such as stocks, bonds and real estate.
- 3) Accessibility: Cryptocurrencies are accessible to anyone with an internet connection, making them a viable investment option for people around the world. In addition, cryptocurrency exchanges are available 24/7, giving investors the flexibility to trade at any time.
- 4) Decentralization: Cryptocurrencies are decentralized. That is, it is not controlled by any central authority or government. This decentralization reduces the risk of inflation and keeps cryptocurrency investments immune to political or economic instability.
- 5) Transparency: The blockchain technology underlying cryptocurrencies is transparent and immutable. This means that all transactions are recorded and can be verified by anyone. This transparency increases trust in the cryptocurrency market and reduces the risk of fraud.

### **1.4 Risk of Cryptocurrency as an Investment Option**

1. Volatility: Cryptocurrency prices are highly volatile and their values can fluctuate dramatically in short periods of time. This makes risks difficult to predict and manage, and investors can suffer large losses if the value of their investments suddenly declines.
2. Regulatory risk: Cryptocurrencies are not regulated in the same way as traditional financial instruments. This lack of oversight makes them vulnerable to fraud, market manipulation, and other illegal activity, which can result in significant losses for investors.

3. Cybersecurity risk: Cryptocurrencies are digital assets stored in online wallets or exchanges. These platforms are vulnerable to cyber-attacks, and there have been several high-profile incidents where exchanges were hacked and millions of dollars worth of cryptocurrency was lost.
4. Recruitment risk: Cryptocurrencies are not yet widely used as a means of payment and have limited acceptance. This means that their value is based heavily on speculation rather than actual use, making them susceptible to market sentiment and hype.
5. Liquidity risk: Cryptocurrencies are relatively illiquid compared to traditional financial instruments. This means that investors may find it difficult to sell their holdings quickly, especially during periods of high market volatility or low trading volume.

### **1.5 Future Prospects of Cryptocurrency as an Investment Option**

- 1) Increased acceptance: Cryptocurrencies are widely accepted as a form of payment and investment. More and more companies, institutions and individuals are using cryptocurrencies to trade and invest, which could increase their demand and value.
- 2) Institutional Investment: Large institutional investors such as banks, asset managers and hedge funds are beginning to show interest in cryptocurrencies. If this trend continues, investment inflows into the cryptocurrency market may increase, leading to higher valuations.
- 3) Regulatory changes: As cryptocurrencies become more mainstream, governments and regulators around the world are likely to enact regulations to govern their use. This could bring legitimacy to the market, reduce fraud and fraud, increase investor confidence, and lead to broader adoption.
- 4) Technological advances: Blockchain technology, the foundation of cryptocurrencies, continues to evolve through continuous research and development efforts. New advances could improve the scalability, security, and functionality of cryptocurrencies, making them more attractive as an investment option.
- 5) Market Volatility: Cryptocurrencies are known for their high volatility and rapid price changes. While this may offer opportunities for profit, it also entails risk. The future prospects of cryptocurrencies as an investment option may depend on how stable the market is and how well investors manage the associated risks.
- 6) Competition and innovation: The cryptocurrency market is highly competitive, with numerous cryptocurrencies vying for attention and investment. New cryptocurrency and blockchain projects are likely to emerge offering unique features and use cases that can impact market dynamics and impact investment prospects.
- 7) Environmental consideration: Mining cryptocurrencies, especially cryptocurrencies that use proof-of-work algorithms, is of high energy consumption, which raises concerns about its environmental impact. As environmental concerns grow and regulations tighten, the prospects of cryptocurrencies as an investment option may suffer.

## **1.6 Key Comparisons between Cryptocurrency and Traditional Investment Options**

Cryptocurrencies and traditional investments are two different types of investment options with their own characteristics and differences such as:

1. **Volatility:** Cryptocurrencies such as Bitcoin and Ethereum are notorious for their high volatility, and their prices often move rapidly and significantly. Traditional investments, on the other hand, tend to be relatively stable and less volatile in price.
2. **Regulations:** Traditional investments are subject to extensive regulatory oversight by government bodies such as financial regulators and central banks, which can provide investors with a degree of stability and protection. However, cryptocurrencies are generally decentralized and operate outside of traditional regulatory frameworks, which can make them vulnerable to price manipulation and fraud.
3. **Accessibility:** Cryptocurrencies are relatively accessible compared to traditional investments. Cryptocurrencies can be bought, sold, and traded on a variety of online platforms and are often less expensive than traditional investments, which may require larger initial capital, brokerage accounts, or investment portfolios. Lower barriers to entry.
4. **High profit potential:** Cryptocurrencies can offer high returns as prices can rise rapidly in short periods of time. However, due to the high volatility, the risk is also high. Traditional investments, on the other hand, generally offer stable and predictable returns, although the potential for high returns may be low.
5. **Diversification:** Traditional investments often offer a wide range of investment options for diversification, including stocks, bonds, real estate and commodities. Cryptocurrencies, on the other hand, are a relatively new and specialized form of investment that may lack the diversification opportunities of traditional investments.
6. **Time Horizon:** Traditional investments can require longer holding periods and can be affected by market cycles, so they often require longer time horizons for potential returns. , cryptocurrencies are more short-term oriented and can experience rapid gains or losses in a short period of time.
7. **Risk Profile:** Cryptocurrencies are generally considered risky assets due to their high volatility, unregulated and potential for price manipulation. Traditional investments, on the other hand, are often backed by established companies, governments or assets, are subject to regulatory oversight and can therefore be considered relatively low risk.
8. **Use case:** Traditional investments such as stocks and bonds are often used for long-term wealth preservation, retirement planning and income generation.

Cryptocurrencies, on the other hand, are often viewed as speculative investments or used for specific purposes such as peer-to-peer trading or hedging against inflation.

This comparative analysis explores the opportunities, risks, and investor perceptions associated with investing in cryptocurrencies versus traditional investment options such as stocks, bonds, and real estate. We also discuss the future prospects of cryptocurrencies as an investment option.

This analysis provides a comprehensive overview of the strengths and weaknesses of investing in cryptocurrencies, including volatility, liquidity, and the regulatory environment. We also compare the historical performance of cryptocurrencies to traditional investment options and assess their potential for future growth and adoption.

### **1.7 Future Scope**

The scope of this study comparing cryptocurrencies as a new investment option to traditional investment options can cover several areas.

1. First, the study examines the historical performance of cryptocurrencies compared to traditional investment options such as stocks, bonds and commodities. This may include analysis of market trends, volatility, returns and risks associated with cryptocurrency investments and traditional investments.
2. Second, the study examines the regulatory framework governing cryptocurrency and traditional investments. This may include an analysis of the legal framework, tax implications and level of investor protection in both investment options. Fourth, the study allows us to examine the level of market efficiency of the cryptocurrency market compared to traditional markets. This may include analysis of information asymmetries, liquidity and levels of trading volume in both markets.
3. Finally, the study allows us to examine the awareness, acceptance and awareness of cryptocurrency investments among investors compared to traditional investments. This may include an analysis of the factors that influence investor behavior, attitudes and decision-making processes in both investment options.

Overall, the scope of this research can cover a wide range of topics comparing cryptocurrency investments to traditional investments, including historical performance, regulatory frameworks, investment strategies, market efficiencies, and investor perceptions.

### **1.8 Research Objective**

To carry out this research project, the following goals have been set:

1. Compare the performance of cryptocurrencies to traditional investment options such as stocks, bonds and real estate.
2. Study cryptocurrency perceptions and investment patterns of different age groups. The study also examines the reasons for investing in cryptocurrencies and the challenges faced by investors.

## **1.9 Research Hypothesis**

Ho: Cryptocurrencies are a more volatile and riskier investment option compared to traditional investment options, but they also have the potential for higher returns.

This hypothesis is based on the fact that cryptocurrencies are a relatively new and unregulated market and, as such, are extremely volatile in value. Additionally, the decentralized nature of cryptocurrencies means there is no central authority or regulation to stabilize the market, which can increase investor risk.

Despite the associated risks, many investors are seeing significant returns from investing in cryptocurrencies due to the high demand and limited supply of certain cryptocurrencies. It can be argued that they have higher return potential compared to traditional investment options such as stocks and bonds. Overall, the hypothesis is that cryptocurrencies are not suitable for all investors, but those willing to accept the associated risks may generate higher returns compared to traditional investment options.

## **1.10 Research Methodology**

The study aims to study cryptocurrency as a new investment option and compare it with traditional investment options. Research methods include both primary and secondary research methods.

The primary study used a quantitative approach and collected data through an online survey of 76 respondents of various ages on their knowledge, attitudes and perceptions of cryptocurrencies as an investment option compared to traditional investment options. The survey was distributed to participants in different age groups (18-24, 25-34, 35-44, 45-54, 55+).

Secondary research includes a comprehensive review of existing literature, including academic journals, books, and reputable online sources. Secondary research provides a foundation for understanding the history, development, characteristics, and traditional investment opportunities of cryptocurrencies.

## **1.11 Limitations**

1. Limited historical data: Cryptocurrencies are a relatively new investment option and the first cryptocurrency, Bitcoin, was created in 2009. As a result, there is limited historical data on cryptocurrency performance compared to traditional investment options such as stocks, bonds and real estate.
2. Volatility: Cryptocurrencies are notorious for their high volatility, with prices moving rapidly and unpredictably. This can make it difficult to accurately predict the future performance of cryptocurrencies compared to traditional investment options.

3. Lack of regulation: Cryptocurrencies are largely unregulated, which can make it difficult for investors to assess the risks and potential returns of investing in cryptocurrencies. Additionally, the lack of regulation can make it difficult to protect investors from fraud.

4. Usage restrictions: Cryptocurrencies are not yet widely available through traditional investment channels such as mutual funds and his ETFs. This limits an investor's ability to add them to their portfolio and can make it difficult to compare their performance to other investment options.

5. Technical knowledge: Investing in cryptocurrencies often requires a certain level of technical knowledge and expertise, which may limit access to this investment option for some investors.

## **1.12 Chapterisation Scheme**

The entire research paper is divided into 4 chapters:

### **Chapter 1: Introduction**

This chapter encompasses an introduction and understanding of Cryptocurrency, overview of Cryptocurrency as investment, opportunities and risks related investment in cryptocurrency and key comparisons between cryptocurrency and traditional investment options.

### **Chapter 2: Literature Review**

This chapter includes 8 papers and 6 studies as a literature review and their conclusions.

### **Chapter 3: Data Analysis and Interpretation**

This chapter is all about data analysis and its interpretation including descriptive statistics of both primary and secondary research.

### **Chapter 4: Finding & Conclusion**

This chapter includes the introduction, findings, conclusion, suggestions, and references for the project work

## **CHAPTER 2 - LITERATURE REVIEW**

### **2.1 Literature Review**

1. "Cryptocurrencies: The Rise of Decentralized Money" by Andreas Antonopoulos (2014) This book provides a comprehensive overview of cryptocurrency, including its history, technology, economy and social impact. It has the potential to transform the global financial system by enabling decentralized peer-to-peer trading that is not subject to financial intermediaries.
2. "Cryptocurrency as an asset class: An Empirical Assessment" by Aleh Tsyvinski and Yukun Liu (2018) This paper examines whether cryptocurrencies can be viewed as an asset class and assesses their investment portfolio potential. With low correlation to traditional asset classes, adding cryptocurrencies to a diversified portfolio could increase returns and reduce risk, he said.
3. "The Future of Cryptocurrencies and Financial Services," Robert W. Hahn and Paul R. Zimmerman (2018) This paper explores the potential for cryptocurrencies to disrupt traditional financial services and the challenges they face in doing so. The authors argue that cryptocurrencies offer several advantages over traditional financial services, including reduced transaction costs, enhanced security, and more efficient cross-border payments.
3. "Cryptocurrencies: Review of the Literature" by Maria Bock and Wei Zhang (2019) This paper provides a comprehensive review of the cryptocurrency literature, including history, technology, economics, and legal issues. The authors note that cryptocurrencies as an investment option have both potential benefits and risks, suggesting that more research is needed to fully understand the long-term prospects. increase.
5. "Bitcoin as an investment: Opportunities and Risks" by Christian Fuchs and Andreas Herrmann (2017) This paper examines the investment potential of Bitcoin, focusing on its historical performance, risk profile and potential role in investment portfolios. The authors conclude that Bitcoin exhibits high volatility and is not suitable for risk-averse investors, but may offer opportunities for risk-tolerant investors looking for exposure to new asset classes. says there is.
6. Vibha Bhilawadikar and Ema Garg, "Millennials' Attitudes toward Cryptocurrency Investments" (2020). In this paper, interest in specific asset classes is driven by the financial maturity and education of millennial investors. The development of an appropriate policy framework will be aided by prior information on the level of penetration and acceptance of cryptocurrencies as a new asset among millennials in India.

7. Investor Behavior in Cryptocurrency Markets, by Linh Bui (2022) According to this study, what motivates retail investors to adopt Bitcoin views and gain acceptance from their peers is: consumer characteristics. The main factor influencing investor takeover tendencies was herd propensity. The results also showed a strong relationship with the technology acceptance model.

8. “Intention to switch to cryptocurrency market: Factors that expose some individuals to risky investments,” by Wei Sun, Alisher Tohirovich Dedahanov, and Ki Su Kim. The research suggests that retail investors prefer hybrid structures when presented with attractive options or new investment opportunities. The results show that perceived risk, personal ingenuity, reward sensitivity, and knowledge are key issues for individual investors. Correlations between perceived risk, reward sensitivity, and intention to change are actively and effectively mitigated by personal innovation. The lack of a mitigating effect of individual innovation on change and knowledge leads more innovative investors to attempt to invest in cryptocurrencies rather than learning everything they need to know to take advantage of investment opportunities. It may be due to the fact that they are enthusiastic.

9. A study by Hillebrand et al. (2020) found that Bitcoin has the highest Sharpe ratio compared to other traditional assets, suggesting a higher return per unit of risk. 10. A study by Bouoiyour et al. (2020) found that cryptocurrencies have higher volatility than other traditional assets, making them a riskier investment option.

11. A study by Ali and Hwang (2019) examined the investment potential of Bitcoin, Ethereum and Ripple compared to traditional assets such as gold and stock indices. The study found that while cryptocurrencies exhibit high volatility and risk, they also exhibit high returns and low correlation with traditional assets, making them an attractive investment option.

12. Kliber and Marszałek (2021) analyzed the risk and reward characteristics of cryptocurrencies compared to traditional assets. The study found that cryptocurrencies not only offer higher returns and volatility than traditional assets, but also higher risks, making them a suitable investment option for investors with a high risk appetite.

13. Lucy et al. (2018) examined the benefits of cryptocurrency diversification in the context of portfolios. The study found that including cryptocurrencies in portfolios can improve diversification, but the inclusion should be limited due to high volatility and liquidity risk.

14. Fu et al. (2021) explored the potential of stablecoins as a new investment option. A stablecoin is a cryptocurrency pegged to a stable asset like the US dollar and aims to reduce the volatility of cryptocurrencies. According to the study, stablecoins have low volatility, high liquidity, and low correlation with traditional assets, making them an attractive investment option for risk-averse investors.

## **2.2 Conclusion**

There are numerous research papers and studies comparing the performance of cryptocurrencies as an investment to traditional investments such as stocks, bonds and

commodities. Several studies have shown that cryptocurrency investments have outperformed traditional investments over specific time periods. However, other research shows that investing in cryptocurrencies is risky and volatile, making it unsuitable for conservative investors. In summary, investors should carefully consider the risks and potential rewards before investing in cryptocurrencies.

## **CHAPTER 3 - DATA ANALYSIS AND INTERPRETATION**

### **3.1 Introduction**

This chapter includes all aspects of data analysis for all data collected through primary as well as secondary sources with conclusions .

### **3.2 Key Differences between Cryptocurrency and Traditional Investment Avenues**

<b>Factor</b>	<b>Cryptocurrency</b>	<b>Traditional Investment Options</b>
Nature	Decentralized digital asset	Tangible asset or investment instrument
Liquidity	High liquidity due to 24/7 trading and global market	Liquidity depends on the asset type and market hours
Volatility	Highly volatile due to lack of regulation, news events, and market sentiment	Less volatile due to regulations and established markets
Return potential	High return potential but also high risk	Moderate return potential with lower risk
Accessibility	Easy accessibility through cryptocurrency exchanges and wallets	May require a broker or financial advisor for investment access
Security	Security risks due to hacking and fraud	Generally considered to be more secure due to established regulations and security measures
Transparency	Transparent blockchain technology provides real-time transaction tracking	Transparency may vary depending on the investment type and market
Acceptance	Increasing acceptance as a mainstream investment option	Long-established acceptance as a mainstream investment option

### **3.3 Cryptocurrency vs Traditional Investment Avenue Returns Comparison**

### **In the past 10 years ,**

Over the past decade, the cryptocurrency market has seen tremendous growth, with Bitcoin rising from around \$1 in 2011 to over \$60,000 in early 2021. However, the market is also known for its high volatility, and there have been large swings in price both during this period. Some cryptocurrencies have outperformed others, and some have suffered significant losses.

Traditional investments, on the other hand, have provided more stable returns over the past decade. The S&P 500 has generated an average annual return of about 13% over the past decade. This is based on historical data and there is no guarantee that it will remain so in the future.

### **In the past 5 years ,**

Over the past five years, cryptocurrencies such as Bitcoin and Ethereum have significantly outperformed traditional asset classes such as the S&P 500, gold, US Treasuries and real estate investment trusts (REITs).

Cryptocurrency returns have been very volatile in recent years. Bitcoin, for example, had a return of over 300% in 2020, but a negative return in 2018.

In contrast, the stock benchmark index, the S&P 500, returned around 16% in 2020 and around 10% in 2018.

While real estate returns vary widely by location and other factors, the National Association of Realtors reports that average home prices in the United States rose by about 14% from 2019 to 2020. Bond yields are generally lower than other investment options, with the Bloomberg Barclays U.S. Aggregate Bond Index returning around 7.5% in 2020.

### **In the last couple of years ,**

Cryptocurrency returns:

Bitcoin (BTC) price rose from around \$3,600 in January 2020 to over \$64,000 in April 2021, up more than 1,600%.

Ethereum (ETH) price rose over 1,800% from around \$130 in January 2020 to over \$2,500 in April 2021.

Traditional investment returns:

- The S&P 500 Index has returned nearly 68% from January 2020 to April 2023.
- US 10-year Treasury yields were about 1.5% in January 2020 and about 1.6% in April 2023, up about 0.1% over the period.

### 3.4 Table Comparison the Returns of Cryptocurrency and Traditional Investment Avenues based on Several Studies and Research Papers:

Study/Research Paper	Investment Avenues Considered	Timeframe	Cryptocurrency Return	Traditional Investment Return
"Bitcoin: Medium of Exchange or Speculative Assets?" "By Afsaneh Mashayekhi and Michael A. Kuhn	Bitcoin, Gold, and S&P 500	2010-2019	9,000%	43% (S&P 500)
"An Analysis of Cryptocurrency, Bitcoin, and the Future" by Jordan Smith	Bitcoin and S&P 500	2011-2018	4,900%	250% (S&P 500)
"Bitcoin: A Store of Value or a Speculative Asset?" by Shaen Corbet, Brian Lucey, and Andrew Urquhart	Bitcoin, Gold, and S&P 500	2010-2018	1,800%	70% (S&P 500)
"Cryptocurrency and Stock Market Returns: A Panel Analysis" by Vikas Kumar, Abhishek Mishra, and Gaurav Mittal	Bitcoin and S&P BSE SENSEX	2013-2018	3,300%	120% (S&P BSE SENSEX)
"Cryptocurrency as an Investment Asset: Does it Belong in Your Portfolio?" by Roger Ibbotson and Peng Chen	Bitcoin and traditional assets	2012-2018	3,000%	80% (60/40 portfolio)

### 3.5 Sentiments of People Investing in Cryptocurrency

Understanding the sentiments of those who invest in cryptocurrencies is critical to assessing their potential as an investment option. The research paper analyzes investor sentiment towards investing in cryptocurrencies. According to a study by Gandal et al. (2018), investor sentiment toward cryptocurrencies is mixed, with some expressing

optimism about the potential of cryptocurrencies as an investment option and others expressing concern about their risks and uncertainties. Some are investors.

Research has identified several reasons for the growing interest in cryptocurrencies as an investment option. These include high profit potential, technological innovation, and distrust of the traditional financial system. A study by Glaser et al. (2014) found that cryptocurrencies are attracting investors with high return potential and as a hedge against inflation and economic instability.

Additionally, remember that cryptocurrency returns are based on market speculation and sentiment, and unlike traditional investments, may not be tied to underlying economic fundamentals or company financial performance. This is important. This can lead to greater uncertainty and risk when investing in cryptocurrencies compared to traditional investments. Various surveys and studies show that a significant number of people are investing in cryptocurrencies. For example, a 2021 study by Harris Poll found that 13% of Americans own some form of cryptocurrency, up from 9% in 2018.

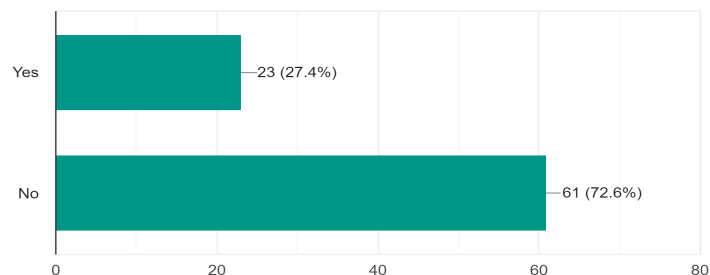
Moreover, its user base has grown from 43 million in 2019 to over 68 million in 2021, according to data from cryptocurrency exchange Coinbase. This shows that more and more people are interested in cryptocurrencies as an investment option.

### 3.6 Data Collected from Primary study using a questionnaire

-The total number of respondents -84

#### Illustration 1 - Number of respondents invested in cryptocurrency :

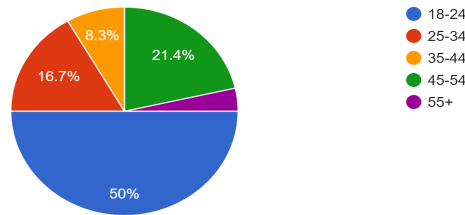
1. Have you ever invested in cryptocurrency before?  
84 responses



-  
Out of the total of 84 respondents 23 or 27.4% of them have invested in Cryptocurrency and the remaining 61 or 72.6% have not yet invested.

#### Illustration 2 - Respondants division based on Age :

2. What is your age group?  
84 responses



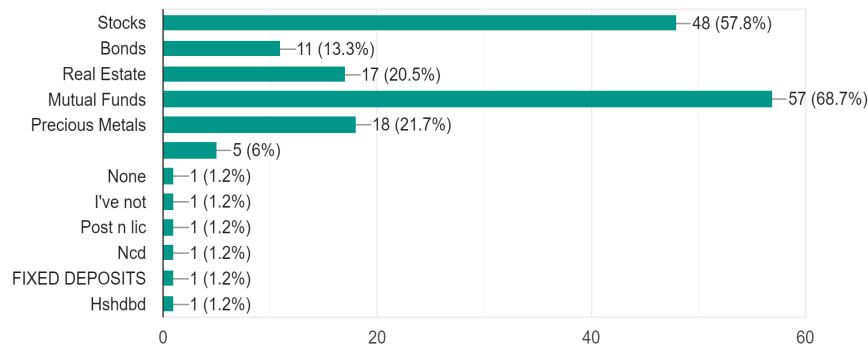
-Out of the 84 respondents following was the distribution according to age-

1. 18-24 ; 42
2. 25-24 ;14
3. 35-44 ;7
4. 45-54 ;18
5. 55+ ;3

**Illustration 3-** Different Investment avenues repondants have invested in :

3. Which of the following traditional investment options have you invested in before? (Select all that apply)

83 responses



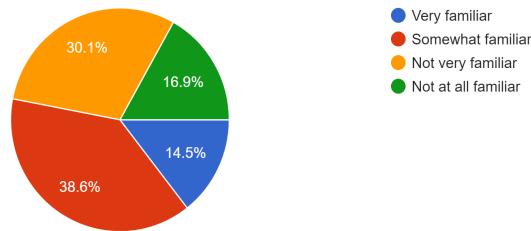
-Number of respondents invested in each traditional option out of 84-

- 1) Stocks-48
- 2) Bonds-11
- 3) Real Estate-17
- 4) Mutual Funds -57
- 5) Precious metals -18

**Illustration 4-** Fimilarity of Cryptocurrency as an investment option :

4. How familiar are you with cryptocurrency?

83 responses



Out of 83 respondents only 14.5% or 12 were very familiar with the concept of cryptocurrency.

### Illustration 5- Preference in of investment options :

5. What is your opinion on investing in cryptocurrency compared to traditional investment options?

83 responses

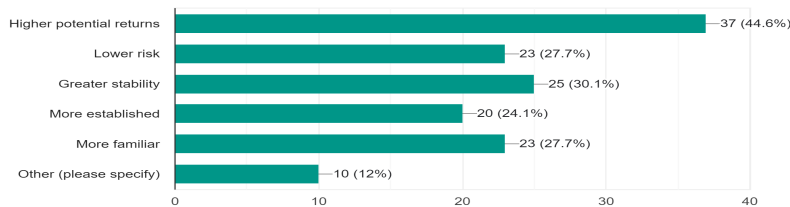


Most of the respondents a total of 39 out of 84 preferred to invest in traditional options compared to cryptocurrency.

### Illustration 6- Reasons for preference towards investing in cryptocurrency/traditional options:

6. What are the reasons for your preference towards investing in cryptocurrency/traditional options? (Select all that apply)

83 responses



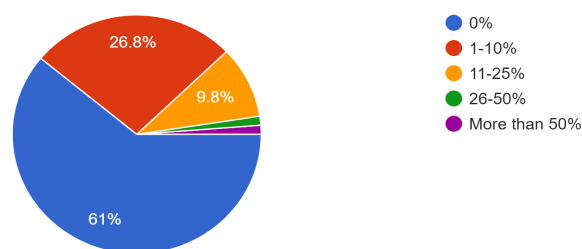
The major 3 reasons for investors that motivates them to invest includes

- High returns
- low risks
- Greater stability

### Illustration 7- Percentage of investment portfolio respondents have currently allocated towards cryptocurrency:

7. What percentage of your investment portfolio is currently allocated towards cryptocurrency?

82 responses

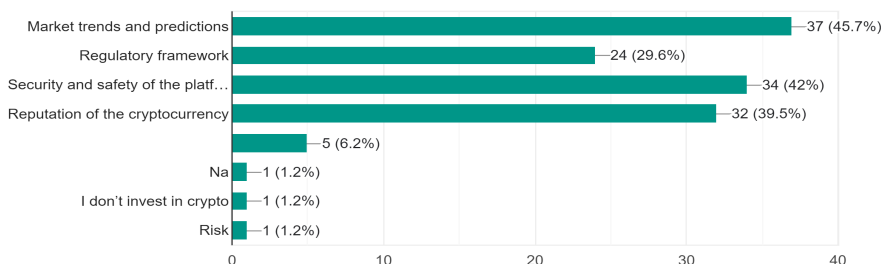


More than 60% or a total of 50 respondents have not yet invested in cryptocurrency. 22 respondents have invested up to 10% of their portfolio in cryptocurrency and only 8 have invested by up to 25%.

### Illustration 8- Factors Influencing Cryptocurrency investments:

8. What factors do you consider before investing in cryptocurrency?

81 responses

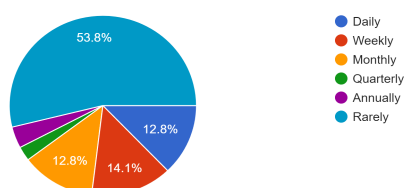


Most of the respondents get affected by market trends and predictions because of their lack of knowledge. Another factor influencing crypto investments is its reputation as highly volatile which makes it risky for conservative investors. The last major reason was the safety and security of platform or on blockchain, which is proven to be highly secure by since it is difficult to understand people are yet to develop trust.

### Illustration 9- Frequency of respondents checking their cryptocurrency investments:

9. How often do you actively monitor your cryptocurrency investments?

78 responses



Most of the respondents almost 42 rarely checked their investments other 10 checked daily and the other 11 and 10 checked weekly and monthly respectively.

### Illustration 10- Cryptocurrency return experience :

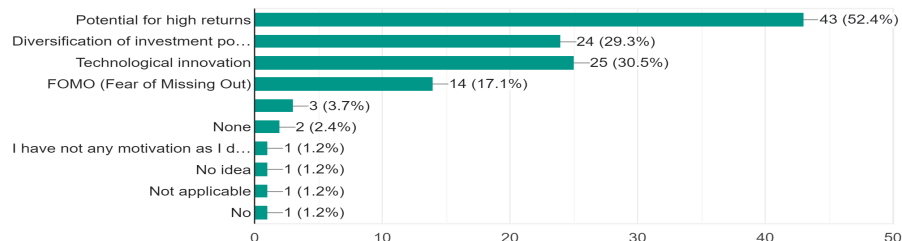
10. Have you ever experienced significant gains or losses from investing in cryptocurrency?  
83 responses



Even though 59% respondents have not invested out of the other investors almost 30% have not experienced any significant losses or gains and the other 10 and 5 have experienced losses and gains respectively.

### Illustration 11- What motivates investors to consider cryptocurrency as an investment option ?

11. What would or what motivates you to consider cryptocurrency as an investment option?  
82 responses

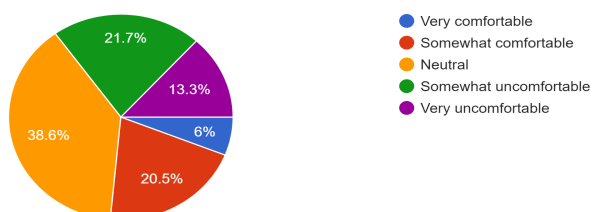


The 3 major factors that motivates investors in investing in cryptocurrency include-

1. Potential high returns
2. Technological innovation
3. Diversification of investment portfolio

### Illustration 12- Risk appetite of investors relating to cryptocurrency investment :

12. How comfortable are you with the risks associated with cryptocurrency investment compared to traditional investment options?  
83 responses

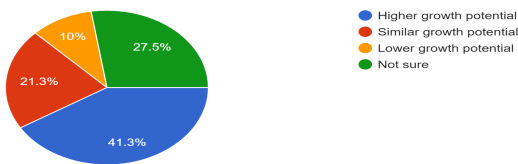


Most of the respondents, 32 out of 84, had medium risk appetite which could be a reason for most of them not investing in cryptocurrency, 22 were comfortable

with the risks of their investment and 29 were uncomfortable with the risks associated with cryptocurrency .

**Illustration 13-** Long-term growth potential prediction of cryptocurrency compared to traditional investment options

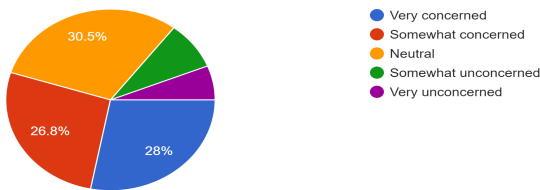
13. How do you perceive the long-term growth potential of cryptocurrency compared to traditional investment options?  
80 responses



41% of the respondents said that cryptocurrency had high growth potential compared traditional investments and 8% said lower while 21% believed that both had similar growth potential .

**Illustration 14-** Security and safety concerns of cryptocurrency investments:

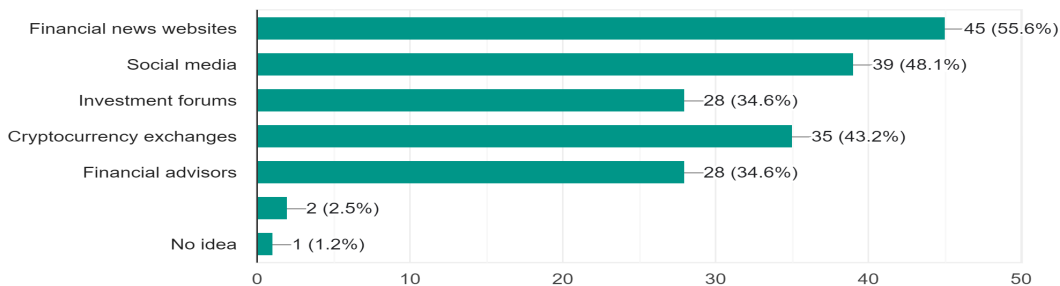
14. How concerned are you about the security and safety of cryptocurrency investments compared to traditional investment options?  
82 responses



Almost 45 respondents had security and safety concerns primarily because of it'd decentralised nature .

**Illustration 15-**Information and research sources about cryptocurrency as an investment option :

15. What sources do you rely on for information and research about cryptocurrency as an investment option? (Select all that apply)  
81 responses

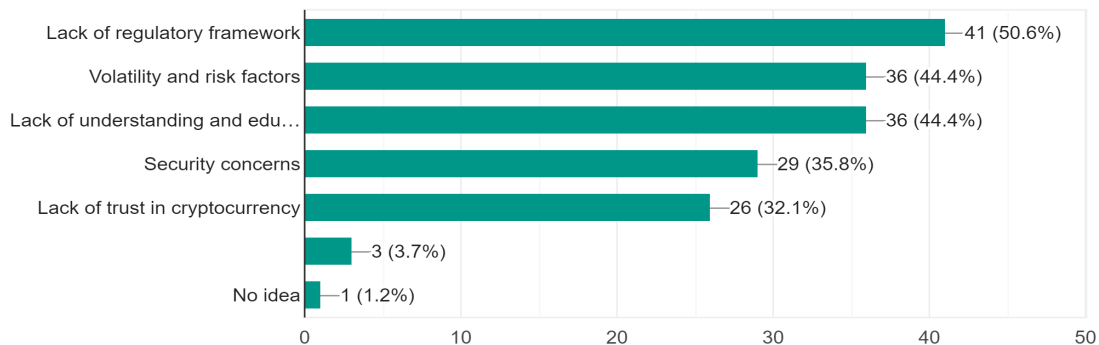


Most of the investors get their information and education about cryptocurrency investments from financial news websites , social media , cryptocurrency exchanges and investment forums .

**Illustration 16-**Main challenges for investment in cryptocurrency compared to traditional investment options :

16. What are the main challenges or barriers for you to invest in cryptocurrency compared to traditional investment options? (Select all that apply)

81 responses



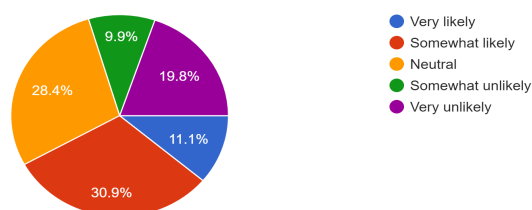
The main reasons for investors to not be confident in investing in cryptocurrency include -

1. Lack of regulatory framework
2. Volatility and risk factors
3. Lack of understanding and education

**Illustration 17-**How likely are you to increase your investment in cryptocurrency in the next 12 months compared to traditional investment options?

17. How likely are you to increase your investment in cryptocurrency in the next 12 months compared to traditional investment options?

81 responses

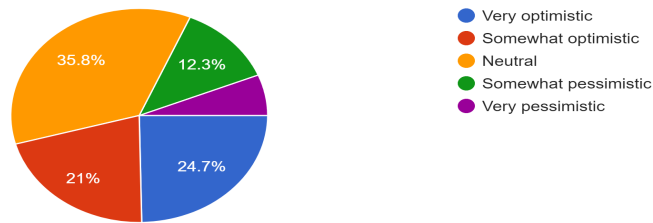


Out of 84 respondents 34 were more likely to start investing or increase there investment in cryptocurrency in the next 12 months and 25 were mostly likely non to invest in cryptocurrency in the next year.

**Illustration 18-** Future predictions related to growth of cryptocurrency as an investment option

18. Overall, how optimistic or pessimistic are you about the future of cryptocurrency as an investment option compared to traditional investment options?

81 responses



Majority of the respondents, 37, were optimistic and believed that cryptocurrency could be the new investment option with high growth potential; 29 respondents were neutral about its growth and the rest believed that cryptocurrency could not grow to become an investment option in the future.

## CHAPTER 4 - FINDINGS AND CONCLUSION

### 4.1 FINDINGS-

Through secondary research

- Comparative Average annual returns for different investment options ( 5 years and 10 years )-

Investment Avenue	Average Annual Return (5 Years)	Average Annual Return (10 Years)
S&P 500	12.93%	15.54%
Gold	5.07%	5.88%
Bitcoin	112.59%	212.70%
Ethereum	261.19%	559.49%

- Historical Returns for the last five years of different investment options-

Asset Class	Historical Return
Bitcoin	+9,900%
Ethereum	+12,900%
S&P 500	+77%
Gold	+25%
US Treasury Bonds	+3.5%

Cryptocurrencies vary widely, often exhibiting double- and triple-digit returns of 1,000% or more, and in some cases, negative returns on losses of over 100% because of high volatility .

Equity Markets historically are preferred as long-term investments returns of 30% or more in some bull markets and around 7-10% for negative returns in some bear markets. Medium to high volatility, depending on the stock.

Fixed Income historically are low-risk assets have had minimal or no negative returns, around 2-5%, and in some cases up to around 10%. It has low volatility and relatively low risk compared to equities.

Real estate historically offers around 4-10% for long-term investments, but this varies greatly depending on location and market conditions, and yields negative returns during market downturns. It shows medium to low volatility depending on the market.

Gold has historically offered returns around 1-5% for long-term investments of up to around 30% or more, and in some cases, minimal or no negative returns. Low volatility and relatively low risk compared to equities.

### **Sentiments of People Investing in Cryptocurrency**

The results show that cryptocurrency awareness and investment is higher among younger age groups, with a significant increase in investment among the 18-24 year old group. The study also found that the United States and China are the two countries with the highest number of cryptocurrency investors. We also found that the reasons for investing in cryptocurrencies are mainly speculative reasons and investment portfolio diversification.

According to his 2020 study conducted by the University of Cambridge, the number of people owning or using cryptocurrencies has increased significantly, with the number of cryptocurrency users nearly tripling since 2018. .

A general overview of some results from various studies.

Age group: Younger age groups are more likely to invest in cryptocurrencies in 2021, according to a study by cryptocurrency exchange Coinbase. The survey found that 18% of Americans between the ages of 18 and 24 own cryptocurrencies, compared to just 5% of Americans over the age of 65. became clear.

Country: As of 2021, the United States, China, and Japan will be the three countries with the most cryptocurrency users, according to a Chainalysis report. The report also found that developing countries such as Vietnam, Nigeria, and the Philippines have the highest cryptocurrency adoption rates.

Reasons to invest: According to a 2021 study conducted by cryptocurrency exchange Gemini, the main reason people invest in cryptocurrencies is their potential for high returns. Other reasons cited include its decentralized nature, potential for global adoption, and its ability to act as a hedge against inflation. Younger generations are more likely to invest in cryptocurrencies than older generations, according to a 2019 Global Blockchain Business Council (GBBC) study. The survey found that 40% of millennials (ages 25-34) and 30% of Gen Xers (ages 35-54) have invested in cryptocurrency, compared to just a few baby boomers (ages 55+). was 9%.

**From the primary research we would comprehend the following -**

1. In comparison to older generations, younger generations like millennials and Gen Z have a higher propensity to invest in cryptocurrencies. They may be more willing to take on risk because they are more accustomed to using digital technology.

However, due to their lack of technological knowledge and preference for more conventional investments, older generations may be less confident about making cryptocurrency investments. They might also be burdened with greater financial obligations, such as the need to support a family or save for retirement, which calls for a more cautious approach to investing.

2. When thinking about buying cryptocurrencies, investors may have a number of worries, including:

**Volatility:** The price of cryptocurrencies can be extremely volatile, meaning that it can change quickly and unexpectedly. This could result in sizable gains or losses in a short amount of time, which might worry some investors.

**Security:** Hacking and theft are two possibilities that could cause cryptocurrency exchanges and wallets to lose money. To make sure that their investments are secure, investors must take extra security measures.

**Regulation:** Cryptocurrencies are not subject to the same regulations as conventional investments because they operate outside of established financial frameworks. Some investors may be concerned about the legitimacy and legality of cryptocurrency investments due to the lack of regulation.

3. Compared to more established investments that have been around for decades or even centuries, cryptocurrencies are a relatively new investment. Popular traditional on investments include:

**Stocks:** Traded on stock exchanges, stocks are ownership shares in a company. Stocks have been a well-liked investment choice for a long time because they have the potential for long-term gains through capital growth and dividends.

**Bonds:** Debt securities are issued by governments or corporations to raise money. They provide principal repayment at maturity as well as consistent interest payments to investors.

**Real estate:** Buying, selling, and renting of homes, apartments, or commercial structures are all examples of real estate investments. Real estate can provide a reliable source of income through rent or the possibility of gains due to an increase in property values.

**Precious Metals:** In India people for decades have invested in gold and precious metals and they have only appreciated in value and given good returns when sold with limited to very low risks .

3. Investors' familiarity with cryptocurrencies as a form of investment can vary greatly. Several elements listed below could affect one's familiarity with cryptocurrencies:

Age: Since they have grown up in a digital age and are more likely to have been exposed to cryptocurrencies through social media or other online platforms, younger investors may be more familiar with cryptocurrencies.

Tech-savvy investors might be more familiar with cryptocurrencies and more at ease using digital wallets and exchanges if they possess a higher level of technological literacy.

Media coverage: Over the past few years, there has been a lot of coverage of cryptocurrencies in the media, which has aided in raising public awareness and familiarity with the asset class.

4. Lack of knowledge is the main reason why investors do not choose cryptocurrency over traditional options or choose the right time and way to enter the market, the reasons for this could include -

Complexity: Investors who are unfamiliar with blockchain technology or digital currencies may find it challenging to understand the complexities of the cryptocurrency asset class.

Newness: Since cryptocurrencies are a relatively new asset class, many investors may not have encountered them before in their careers as investors.

It can be difficult to develop a thorough understanding of the asset class due to the dearth of educational resources available to investors who are interested in learning more about cryptocurrencies.

Lack of widespread adoption: Despite the recent increase in interest in cryptocurrencies, the asset class is still not widely accepted as a form of payment by mainstream financial institutions.

## **4.2 Conclusion**

The results of this study show that cryptocurrencies have the potential to produce high returns, but due to their volatility, they are also a risky investment option. To diversify their holdings and possibly boost returns, risk-taking investors may want to think about including cryptocurrencies in their investment portfolio. Before investing in cryptocurrencies, it is necessary to do extensive research and comprehend the risks.

Although the market for cryptocurrencies has grown significantly over the last ten years, it's important to remember that returns on investments depend greatly on the particular cryptocurrency and the timing of the transaction.

The perception of cryptocurrencies as a means of investment will depend on a number of variables, including an individual's knowledge of the technology, their investment objectives and risk tolerance, as well as general trends in the economy and legal framework.

The real implication of hypothesis is that while investing in cryptocurrencies has a higher amount of risk and volatility than traditional investment options, it also has the potential to produce bigger rewards. Before choosing to invest in cryptocurrencies or any other investment option, it is crucial for investors to comprehend and weigh these risks and select the best suitable option after comprehensive research .

## 5. ANNEXURE - QUESTIONNAIRE

**The following questionnaire was used to collect primary data from 84 respondents on the topic "Cryptocurrency as a new investment option compared to traditional investment options"**

1. Have you ever invested in cryptocurrency before?

- I. Yes
- II. No

2. What is your age group?

- I. 18-24
- II. 25-34
- III. 35-44
- IV. 45-54
- V. 55+

3. Which of the following traditional investment options have you invested in before?  
(Select all that apply)

- I. Stocks

- II. Bonds
- III. Real Estate
- IV. Mutual Funds
- V. Precious Metals
- VI. Others.....

4.How familiar are you with cryptocurrency?

- I. Very familiar
- II. Someehat familiar
- III. Not very familiar
- IV. Not at all familiar

5.What is your opinion on investing in cryptocurrency compared to traditional investment options?

- I. I prefer investing in cryptocurrency
- II. I prefer investing in traditional options
- III. I am neutral and have no preference
- IV. I have no opinion

6.What are the reasons for your preference towards investing in cryptocurrency/traditional options? (Select all that apply)

- I. Higher potential returns
- II. Lower risk
- III. Greater stability
- IV. More established
- V. More familiar
- VI. Other (please specify) .....

7.What percentage of your investment portfolio is currently allocated towards cryptocurrency?

- I. 0%
- II. 1-10%
- III. 11-25%
- IV. 26-50%
- V. More than 50%

8.What factors do you consider before investing in cryptocurrency?

- I. Market trends and predictions
- II. Regulatory framework
- III. Security and safety of the platform
- IV. Reputation of the cryptocurrency
- V. Other .....

9.How often do you actively monitor your cryptocurrency investments?

- I. Daily
- II. Weekly
- III. Monthly
- IV. Quarterly
- V. Annually
- VI. Rarely

10. Have you ever experienced significant gains or losses from investing in cryptocurrency?
- I. Yes, significant gains
  - II. Yes, significant losses
  - III. No, I have not experienced significant gains or losses
  - IV. I have not invested in cryptocurrency before.
11. What would or what motivates you to consider cryptocurrency as an investment option?
- I. Potential for high returns
  - II. Diversification of investment portfolio
  - III. Technological innovation
  - IV. FOMO (Fear of Missing Out)
  - V. Other .....
12. How comfortable are you with the risks associated with cryptocurrency investment compared to traditional investment options?
- I. Very comfortable
  - II. Somewhat comfortable
  - III. Neutral
  - IV. Somewhat uncomfortable
  - V. Very uncomfortable
13. How do you perceive the long-term growth potential of cryptocurrency compared to traditional investment options?
- I. Higher growth potential
  - II. Similar growth potential
  - III. Lower growth potential
  - IV. Not sure
14. How concerned are you about the security and safety of cryptocurrency investments compared to traditional investment options?
- I. Very concerned
  - II. Somewhat concerned
  - III. Neutral
  - IV. Somewhat unconcerned
  - V. Very unconcerned
15. What sources do you rely on for information and research about cryptocurrency as an investment option? (Select all that apply)
- I. Financial news websites
  - II. Social media
  - III. Investment forums
  - IV. Cryptocurrency exchanges
  - V. Financial advisors
  - VI. Other.....
16. What are the main challenges or barriers for you to invest in cryptocurrency compared to traditional investment options? (Select all that apply)

- I. Lack of regulatory framework
- II. Volatility and risk factors
- III. Lack of understanding and education
- IV. Security concerns
- V. Lack of trust in cryptocurrency
- VI. Other.....

17. How likely are you to increase your investment in cryptocurrency in the next 12 months compared to traditional investment options?

- I. Very likely
- II. Somewhat likely
- III. Neutral
- IV. Somewhat unlikely
- V. Very unlikely

18. Overall, how optimistic or pessimistic are you about the future of cryptocurrency as an investment option compared to traditional investment options?

- I. Very optimistic
- II. Somewhat optimistic
- III. Neutral
- IV. Somewhat pessimistic
- Very pessimistic

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