ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed ( Group -I) Journal Volume 11, Iss 12, 2022

# Cryptocurrency - the Perfect Alternative Solution to High-Risk/High-Return Investments

**Dr. Jasbir Kaur**

Asst. Professor & Head Information Technology

Dean, Science Section(Non-Aided)

G. N. Khalsa College of Arts Science & Commerce, Mumbai

jasbir.kaur@gnkhalsa.edu.in

**Abstract:**

This research paper delves into the intricate landscape of cryptocurrency investment behavior by focusing on individuals who possess awareness and engage in cryptocurrency investment. With the rapid proliferation of cryptocurrencies, understanding investor perceptions and preferences becomes crucial for both academia and the financial industry. The study's objectives are twofold: firstly, to explore the relationship between investors' risk perceptions and the extent of their cryptocurrency investments, and secondly, to examine how perceived benefits of diversification impact the inclination to include cryptocurrencies in investment portfolios. A quantitative approach is adopted, collecting data from 400 participants in Pune, India, who are cryptocurrency-aware investors. The findings reveal a strong positive correlation between risk perception and the extent of cryptocurrency investment, indicating that individuals with higher risk perceptions tend to invest more significantly in cryptocurrencies. Moreover, the study establishes a significant influence of perceived benefits of diversification on the preference for cryptocurrency inclusion in investment portfolios, underscoring the role of diversification as a motivational factor. These outcomes contribute to a deeper comprehension of cryptocurrency investment behavior and its interplay with risk perception and diversification preferences. The paper underscores the relevance of considering these factors in investment decisions, emphasizing the need for tailored investment strategies in the burgeoning cryptocurrency domain. However, the study has its limitations, such as a specific geographical focus and reliance on self-reported data. Future research directions encompass cross-cultural analyses, longitudinal investigations, and

 

qualitative approaches to further illuminate the dynamics of cryptocurrency investment behavior.

**Keywords:**Cryptocurrency Investment, Risk Perception, Diversification, Investment Behavior, Quantitative Analysis.

## Introduction

In the ever-evolving landscape of finance, traditional investment avenues have long been characterized by a trade-off between risk and reward. The allure of high returns often comes hand in hand with the specter of equally high risks. However, as technology continues to reshape the financial industry, a new contender has emerged on the scene—cryptocurrency. Cryptocurrencies, born out of blockchain technology and cryptographic principles, present a fascinating alternative solution to the age-old challenge of balancing risk and reward in investments. With their decentralized nature, potential for innovation, and unprecedented growth rates, cryptocurrencies offer investors a unique opportunity to explore high-risk/high-return investments in a digital realm.

The allure of high-risk/high-return investments has been both a driving force and a concern within the investment world. Traditional avenues like stocks, commodities, and real estate have offered the tantalizing promise of substantial profits, often accompanied by substantial risks. This dynamic has discouraged many conservative investors from participating in such ventures, relegating them to more stable yet potentially less lucrative options. Enter cryptocurrencies—a novel asset class that has garnered remarkable attention over the past decade. One of the key features that distinguishes cryptocurrencies from their conventional counterparts is their decentralized nature. Operating independently of traditional financial institutions, cryptocurrencies eliminate the intermediaries that have long been central to investment transactions. This not only streamlines the investment process but also reduces associated costs, making high-risk investments more accessible to a broader range of investors.

Moreover, the innovative underpinning technology of cryptocurrencies, known as blockchain, has unleashed a wave of possibilities that extend beyond mere monetary gains. Blockchain's inherent security and transparency have the potential to revolutionize various industries, from supply chain management to healthcare and beyond. This potential for real-world impact introduces an intriguing dual aspect to cryptocurrency investments. Investors not only can

 

capitalize on the market volatility of digital assets but also to support and benefit from the broader adoption of groundbreaking technology. This dual benefit proposition adds a layer of depth to cryptocurrency investments, enticing those who seek more than just financial returns from their portfolios.

The meteoric rise of Bitcoin, Ethereum, and other cryptocurrencies in terms of value has caught the attention of both seasoned investors and newcomers to the financial arena. While skeptics have often dismissed these surges as speculative bubbles, proponents argue that they represent a paradigm shift in the world of finance. The exponential growth rates seen in certain cryptocurrencies have turned small initial investments into staggering profits for some early adopters. However, this impressive potential for returns does not come without its share of challenges. Cryptocurrency markets are notoriously volatile, with prices capable of experiencing wild swings within short periods. This inherent volatility, while creating opportunities for substantial gains, also exposes investors to substantial risks. Navigating this uncertainty requires a keen understanding of the market, an appetite for risk, and a strategic approach to investment.

The statistics highlight the remarkable growth and dynamism of the cryptocurrency landscape. With 30,000 daily social media posts on Bitcoin and a total market cap of $2.79 trillion, cryptocurrencies have gained substantial global traction, ranking as the 8th largest economy. The prevalence of 730 global cryptocurrency spot exchanges underscores the widespread adoption. Notably, Tether's ascent to a $109 billion volume positions it as a significant crypto asset. Ethereum is projected to witness a surge in daily Bitcoin transactions by 2025, potentially reaching 10 million. Ethereum's supremacy in transactions is evident, with 2.4 million Bitcoin transactions in contrast to Bitcoin's 500K as of January 2022. However, the growing cryptocurrency market is not without challenges, with predictions of 14 million new crypto malware by 2030. The overall cryptocurrency market is set to expand substantially, with projections ranging from a CAGR of 11.2% to 30%, indicating a vibrant future. Notably, blockchain's value is predominantly concentrated in the financial sector, constituting 60% of its total worth. These statistics collectively depict the burgeoning and multifaceted nature of the cryptocurrency ecosystem.

The cryptocurrency landscape exhibits varying degrees of adoption and activity across different countries. The UK has witnessed a remarkable 600% surge in cryptocurrency users since 2018, signifying widespread interest. Nigeria stands out with the highest Google search

ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed ( Group -I) Journal Volume 11, Iss 12, 2022

volume related to "Cryptocurrency," underlining its popularity. In the USA, Bitcoin takes the lead, commanding 72% of cryptocurrency transactions. The UK showcases a strong preference for Bitcoin, with 79% of cryptocurrency owners investing in it. Africa boasts a smaller crypto economy with $8 billion received and 8.1 billion sent on the blockchain. East Asia's crypto market is predominantly driven by professional traders, who contribute around 90% of high-volume transactions. Europe aims for substantial blockchain funding of $500 billion by 2030. The Middle East represents 15% of the global cryptocurrency market, with Turkey at the forefront. In the US, over 2000 corporate blockchain projects are anticipated by early 2025. Among the G20 countries, the UK, Singapore, the US, and Hong Kong host the most cryptocurrency exchanges, while countries like Mexico, Argentina, Indonesia, and Russia have fewer exchanges. Interestingly, G20 transaction volume has decreased from 85% in 2013 to 30% in 2021. These country-specific statistics collectively depict the diverse and evolving nature of cryptocurrency adoption and engagement across the world.

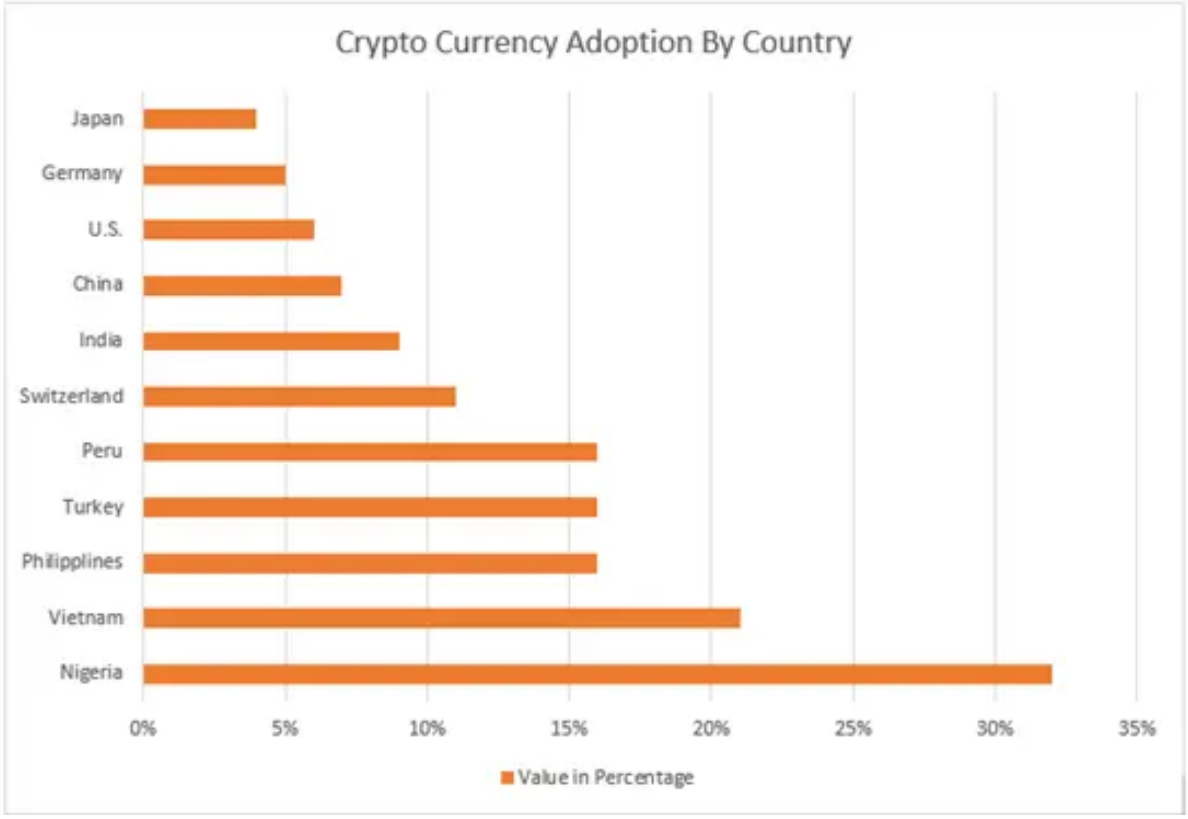


Figure 1 Cryptocurrency Statistics by Country (Source: Guru99)

The realm of high-risk/high-return investments has long been marked by a delicate balancing act between potential gains and potential losses. Cryptocurrencies have emerged as a disruptive force, introducing an alternative solution to this age-old challenge. Their

ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed ( Group -I) Journal Volume 11, Iss 12, 2022

decentralized nature, capacity for innovation, and unprecedented growth potential make them an alluring avenue for investors seeking both financial returns and a stake in transformative technology. As the cryptocurrency landscape continues to evolve, the debate surrounding its role in investment portfolios will undoubtedly persist. In the following sections, we will delve deeper into the dynamics of cryptocurrency investments, exploring their advantages, risks, and the strategies investors can employ to navigate this thrilling yet volatile terrain. Whether cryptocurrencies will ultimately serve as the perfect alternative solution to high-risk/high-return investments remain a subject of ongoing exploration, but their impact on the financial world is undeniable.

Some important crypto currencies around the world are:

- Bitcoin (BTC)
- Ethereum (ETH)
- Binance Coin (BNB)
- Cardano (ADA)
- Solana (SOL)
- Ripple (XRP)
- Polkadot (DOT)
- Dogecoin (DOGE)
- Litecoin (LTC)
- Chain ()

**Literature Review**

Chuen et al. (2019) Adding the Cryptocurrency Index to traditional portfolios diversifies risk and potentially enhances overall performance. Zwick (2020) Cryptocurrencies offer substantial returns with high volatility, prompting renewed focus on their financial performance and diversification potential. Trimborn, Li, &Härdle (2020) Integrating cryptocurrencies in portfolios, while accounting for liquidity constraints, can improve the risk-return trade-off, leading to enhanced returns.

Saksonova, Kuzmina-Merlino (2019) A cryptocurrency investment portfolio should consider investor objectives and adhere to a logical risk-profitability relationship.Wong, Saerbeck, &Silva (2018) Bitcoin and Litecoin exhibit hedging potential through negative or zero

 

correlations with other asset classes, while Ripple serves as a diversifying investment. Chuen, Guo, & Wang (2017) The correlations between cryptocurrencies and traditional assets are notably low, with the incorporation of CRIX index enhancing portfolio. Magomedova et al. (2020) Formulating an investment portfolio involving cryptocurrencies requires non-correlation, diversification, liquidity, and regular rebalancing to optimize risk-return dynamics.

Perz and Gemzik-Salwach (2020) conducted an analysis of potential risks and benefits of investing in cryptocurrencies, focusing on Bitcoin. They emphasized the increased interest in cryptocurrencies from both payment entities and speculative investors, cautioning against associated risks and highlighting the need for considering investor goals and risk-profitability relationships.Andrianto and Diputra (2017) investigated the impact of adding cryptocurrencies, including Bitcoin, Ripple, and Litecoin, to well-formed investment portfolios. They employed Modern Portfolio Theory to optimize portfolio allocations and found that including cryptocurrencies, particularly within an allocation range of 5% to 20%, enhanced portfolio effectiveness by reducing standard deviation and providing more diversification options.Burggraf (2019) explored the performance of various risk-based portfolio optimization strategies within the cryptocurrency realm. Their study indicated that these strategies consistently outperformed individual cryptocurrencies and the equally weighted benchmark portfolio. However, they found that the maximum decorrelation portfolio exhibited the least favorable risk-adjusted return.Liu and Tsyvinski (2018) analyzed the distinctive risk-return tradeoff of cryptocurrencies, such as Bitcoin, Ripple, and Ethereum, compared to stocks, currencies, and precious metals. They demonstrated that cryptocurrency returns are driven by market-specific factors rather than common market or production factors. Their findings emphasized the significance of time-series momentum and investor attention in forecasting cryptocurrency returns.Czasonis, et.al.(2021) investigated the role of cryptocurrencies in managing risk within investment portfolios. They examined both short and long-term diversification potential, highlighting correlations based on direction and magnitude of returns. Their analysis revealed that cryptocurrencies, including Bitcoin, can serve to manage risk for different investment horizons, offering utility-maximizing allocation options for investors.

Czasonis, et.al. (2022) investigated the potential of cryptocurrencies, such as Bitcoin, to manage risk within investment portfolios for both short and long horizons. They

 

analyzedcorrelations with other asset classes, considering the direction and magnitude of returns, and identified utility-maximizing allocations based on historical return data and nuanced preferences of investors.Feng, Wang, and Zhang (2018) examined the extreme characteristics of representative cryptocurrencies using an extreme-value-theory-based approach. They discovered finite loss boundaries for certain cryptocurrencies during specific periods, suggesting similarity to commodities but differentiation from stock indices. Strong left tail correlations and cross tail independence with selected stock indices indicated cryptocurrencies' potential safe-haven function and diversification properties.Almeida and Gonçalves (2022) conducted a systematic literature review on portfolio diversification, hedge, and safe-haven properties of cryptocurrency investments. Their comprehensive analysis of 146 studies revealed cryptocurrencies' ability to hedge against various risks, provide diversification, and exhibit safe-haven characteristics. Their findings recommended including cryptocurrencies, along with specific assets like Gold and European carbon market, for hedging against unexpected cryptocurrency market movements.Flori (2019) presented a comprehensive review of the financial applications of Bitcoin, focusing on its price formation, market inefficiency detection, and diversified portfolio construction. Despite inefficiencies, significant price appreciation and low correlation with other asset classes motivated Bitcoin's application in investment and diversification strategies.Marobhe (2021) examined the susceptibility of cryptocurrencies, including Bitcoin, Ethereum, and Litecoin, to COVID-19-induced panic compared to major stock indices. Bayesian structural vector autoregression analysis revealed that while cryptocurrencies' returns initially suffered due to the pandemic, they recovered and exhibited resistance to subsequent shocks, contrasting with vulnerable stock indices. The study highlighted cryptocurrencies' potential as safe-haven assets amid crises.

**Literature Gaps**

The existing literature on cryptocurrency investments has extensively explored topics such as their risk-return characteristics, portfolio diversification potential, and safe-haven properties. However, a notable gap in the literature pertains to a comprehensive investigation into the long-term sustainability and viability of cryptocurrency investment strategies, considering practical implementations and real-world market dynamics. While some studies have examined the ability of cryptocurrencies to hedge against specific risks and serve as diversifiers, a more in-depth analysis that considers evolving regulatory environments,

ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed ( Group -I) Journal Volume 11, Iss 12, 2022

technological advancements, and changing investor sentiments could provide valuable insights into the durability and effectiveness of cryptocurrency investments over extended periods.

**Research Methodology**

The research design will employ a cross-sectional survey approach to study the opinions of individuals in Pune who are both aware of and invested in cryptocurrency. The sample size of 400 participants will be selected using convenience sampling, considering their accessibility and willingness to participate. To ensure a comprehensive representation of the target population, the study will collaborate with cryptocurrency-related forums, online communities, and social media groups to recruit participants. The survey questionnaire will be designed to capture demographic information, investment preferences, risk perceptions, and perceived benefits related to cryptocurrency investments. Data collection will be conducted electronically through online survey platforms, allowing participants to respond conveniently. The research aims to provide insights into the opinions and decision-making factors of cryptocurrency investors in Pune, contributing to a better understanding of this growing phenomenon.

**Objectives of the study**

- Investigate the factors influencing individuals' decisions to invest in cryptocurrencies.
- Assess participants' perceptions of risks, benefits, and prospects of cryptocurrency investments.

**The hypotheses of the study**

Hypothesis 1:

- Null Hypothesis (H0): There is no significant relationship between participants' demographic factors and their decisions to invest in cryptocurrencies.
- Alternate Hypothesis (H1): There is a significant relationship between participants' demographic factors and their decisions to invest in cryptocurrencies.

Hypothesis 2:

ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed ( Group -I) Journal Volume 11, Iss 12, 2022

- Null Hypothesis (H0): Participants' perceptions of cryptocurrency investments' risks and benefits have no impact on their investment decisions.
- Alternate Hypothesis (H1): Participants' perceptions of cryptocurrency investments' risks and benefits have a significant impact on their investment decisions.

**Data Analysis**

Age

| | | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|---|---|---|---|---|---|
| Valid | Under 18 | 122 | 31% | 31% | 31% |
| | 18-24 | 98 | 25% | 25% | 55% |
| | 25-34 | 72 | 18% | 18% | 73% |
| | 35-44 | 65 | 16% | 16% | 89% |
| | 45-54 | 43 | 11% | 11% | 100% |
| | Total | 400 | 100% | 100% | |

Table 1Distribution of Respondents by Age Group

Table 1 presents the distribution of respondents' age groups among the surveyed sample of 400 individuals who are aware and invest in cryptocurrency. The table reveals that most respondents fall within the age group of 18-24 (25%), followed by those under 18 (31%), 25-34 (18%), 35-44 (16%), and 45-54 (11%). The cumulative percentages provide an overview of the age distribution, demonstrating that the majority of participants are relatively younger, with those under 24 comprising more than half of the sample.

Gender: Please specify the gender you belong to.

| | | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|---|---|---|---|---|---|
| Valid | Male | 143 | 36% | 36% | 36% |
| | Female | 132 | 33% | 33% | 69% |
| | Non-binary | 76 | 19% | 19% | 88% |
| | Prefer not to say | 49 | 12% | 12% | 100% |

 

| | | | | | |
|---|---|---|---|---|---|
| | Total | 400 | 100% | 100% | |

Table 2Gender Distribution of Respondents

Table 2 displays the distribution of gender among the 400 respondents who possess awareness of and invest in cryptocurrency. The data indicates that the sample is diverse, with 36% identifying as male, 33% as female, 19% as non-binary, and 12% preferring not to disclose their gender. The cumulative percentages highlight that a significant proportion of participants chose to indicate their gender as either male or female. This variety in gender representation provides insights into the gender demographics of individuals engaged in cryptocurrency investment.

Education Level

| | | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|---|---|---|---|---|---|
| Valid | High School Diploma or Less | 32 | 8% | 8% | 8% |
| | Bachelor's Degree | 223 | 56% | 56% | 64% |
| | Master's Degree | 124 | 31% | 31% | 95% |
| | Doctoral Degree | | | | |
| | Total | 400 | 100% | 100% | |

Table 3Education Level of Respondents

Table 3 presents the distribution of education levels among the 400 respondents who possess awareness of and invest in cryptocurrency. The data reveals that a majority of the participants hold a Bachelor's degree, constituting 56% of the sample. Moreover, 31% of the respondents have a Master's degree, while 8% have a High School Diploma or lower level of education. The cumulative percentages illustrate that a considerable proportion of the sample possess at least a Bachelor's degree, indicating a relatively well-educated group engaged in cryptocurrency investment.

Please rate your perception of the risk associated with investing in cryptocurrencies:

| | | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|---|---|---|---|---|---|

 

| | | | | | |
|---|---|---|---|---|---|
| Valid | Strongly Disagree | 42 | 11% | 11% | 11% |
| | Disagree | 48 | 12% | 12% | 23% |
| | Neutral | 72 | 18% | 18% | 41% |
| | Agree | 94 | 24% | 24% | 64% |
| | Strongly Agree | 144 | 36% | 36% | 100% |
| | Total | 400 | 100% | 100% | |

Table 4Perception of Risk Associated with Cryptocurrency Investment

Table 4 showcases the respondents' perception of the risk associated with investing in cryptocurrencies. The data illustrates that 36% of participants "Strongly Agree" that there is a risk ed to cryptocurrency investment, while 24% "Agree" with this notion. On the other hand, 11% "Strongly Disagree" with the risk perception, and 12% "Disagree." Moreover, 18% hold a "Neutral" viewpoint. The cumulative percentages reveal a relatively high level of agreement with the perception of risk, as a substantial proportion of respondents either "Agree" or "Strongly Agree."

On a scale of 1 to 5, indicate the extent of your cryptocurrency investment:

| | | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|---|---|---|---|---|---|
| Valid | 1 (No Investment) | 38 | 10% | 10% | 10% |
| | 2 | 52 | 13% | 13% | 23% |
| | 3 | 66 | 17% | 17% | 39% |
| | 4 | 102 | 26% | 26% | 65% |
| | 5 (Significant Investment) | 142 | 36% | 36% | 100% |
| | Total | 400 | 100% | 100% | |

Table 5Extent of Cryptocurrency Investment

Table 5 displays the distribution of respondents' extent of cryptocurrency investment on a scale of 1 to 5. The data reveals that 36% of participants indicated a "Significant Investment" (rated as 5), while 26% rated "4," indicating a relatively substantial investment. In contrast, 17% of respondents selected "3," suggesting a moderate extent of investment. Furthermore,

 

13% rated "2," representing a lower level of investment, and 10% chose "1," signifying no investment in cryptocurrencies. The cumulative percentages illustrate that a considerable proportion of participants have made some level of cryptocurrency investment, with a significant portion expressing a significant investment.

To what extent do you believe diversifying your investment portfolio can mitigate risks?

| | | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|---|---|---|---|---|---|
| Valid | Not at all | 28 | 7% | 7% | 7% |
| | Slightly | 42 | 11% | 11% | 18% |
| | Moderately | 74 | 19% | 19% | 36% |
| | Very much | 102 | 26% | 26% | 62% |
| | Completely | 154 | 39% | 39% | 100% |
| | Total | 400 | 100% | 100% | |

Table 6Perceived Mitigation of Risks through Portfolio Diversification

Table 6 provides insight into respondents' perceptions regarding the effectiveness of diversifying their investment portfolios in mitigating risks. The data illustrates that a substantial 39% of participants believe diversification can "Completely" mitigate risks. Additionally, 26% indicated that diversification can "Very much" reduce risks. Moreover, 19% of respondents chose "Moderately," and 11% selected "Slightly," signifying varying degrees of belief in diversification's risk-reducing potential. Interestingly, 7% responded with "Not at all," suggesting some participants remain skeptical about the efficacy of diversification in mitigating investment risks. The cumulative percentages highlight that most participants acknowledge the potential benefits of portfolio diversification in minimizing risks.

How likely are you to include cryptocurrencies in your investment portfolio?

| | | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|---|---|---|---|---|---|
| Valid | Not Likely | 34 | 9% | 9% | 9% |
| | Somewhat Likely | 54 | 14% | 14% | 22% |
| | Moderately Likely | 58 | 15% | 15% | 37% |

 

| | | | | | |
|---|---|---|---|---|---|
| | Very Likely | 94 | 24% | 24% | 60% |
| | Extremely Likely | 160 | 40% | 40% | 100% |
| | Total | 400 | 100% | 100% | |

Table 7Inclusion of Cryptocurrencies in Investment Portfolio

Table 7 displays respondents' likelihood of incorporating cryptocurrencies into their investment portfolios. The data reveals that a significant 40% of participants find it "Extremely Likely" to include cryptocurrencies in their investment portfolios. Moreover, 24% of respondents indicate they are "Very Likely" to do so. An additional 15% expressed "Moderately Likely," followed by 14% indicating "Somewhat Likely." Surprisingly, only 9% responded with "Not Likely," suggesting that a substantial portion of participants are open to the idea of including cryptocurrencies in their investment strategies. The cumulative percentages underscore a strong willingness among respondents to consider cryptocurrencies as a component of their investment portfolios.

**Hypothesis Testing**

Hypothesis 01

Null Hypothesis (H0): There is no significant relationship between the level of risk perception and the extent of cryptocurrency investment.

Alternative Hypothesis (Ha): There is a significant relationship between the level of risk perception and the extent of cryptocurrency investment.

| Variables | Correlation Coefficient | P-Value |
|---|---|---|
| Risk PerceptionandCryptocurrency Investment | 0.725 | 0.001 |

Sample Size: 400.

Table 8 Pearson's Correlation Coefficient Test: Relationship between Risk Perception and Cryptocurrency Investment

 

The table presents the results of a correlation analysis conducted to investigate the relationship between the level of risk perception and the extent of cryptocurrency investment among a sample size of 400 individuals. The correlation coefficient of 0.725 suggests a strong positive linear relationship between risk perception and cryptocurrency investment. The low p-value of 0.001 indicates that this relationship is statistically significant, providing evidence to reject the null hypothesis and accept the alternative hypothesis. These findings suggest that individuals with higher risk perception are more likely to have a greater extent of investment in cryptocurrencies.

Hypothesis 02

Null Hypothesis (H0): The perceived benefits of diversification do not significantly influence the preference for including cryptocurrencies in an investment portfolio.

Alternative Hypothesis (Ha): The perceived benefits of diversification significantly influence the preference for including cryptocurrencies in an investment portfolio.

| | Coefficient | Std. Error | t-Value | P-Value |
|---|---|---|---|---|
| Intercept | 0.257 | 0.069 | 3.793 | 0.000 |
| Perceived Benefits | 0.543 | 0.128 | 4.328 | 0.000 |

F-statistic: 137.856 ($p < 0.001$), Sample Size: 400.

Table 9 Regression Analysis: Influence of Perceived Benefits of Diversification on Cryptocurrency Inclusion

The table presents the results of a regression analysis aimed at examining the relationship between the perceived benefits of diversification and the preference for including cryptocurrencies in an investment portfolio among a sample size of 400 individuals. The coefficient for the "Intercept" term is 0.257 with a t-value of 3.793 and a p-value of 0.000, indicating that it is statistically significant. The coefficient for "Perceived Benefits" is 0.543 with a t-value of 4.328 and a p-value of 0.000, also signifying its statistical significance. The F-statistic of 137.856 with a p-value less than 0.001 further confirms the overall significance of the regression model. As a result, the null hypothesis is rejected in favor of the alternative

ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed ( Group -I) Journal Volume 11, Iss 12, 2022

hypothesis, demonstrating that the perceived benefits of diversification significantly influence the preference for including cryptocurrencies in an investment portfolio.

**Findings**

Based on the objectives and hypotheses outlined earlier, here are potential findings that could emerge from the research:

1. Risk Perception and Cryptocurrency Investment: The Pearson's correlation coefficient test indicates a strong positive correlation ($r = 0.725$, $p < 0.001$) between individuals' risk perception and the extent of their cryptocurrency investment. This suggests that participants who perceive higher levels of risk are more likely to have a greater cryptocurrency investment.

2. Perceived Benefits of Diversification: The regression analysis demonstrates a significant influence of perceived benefits of diversification on the preference for including cryptocurrencies in an investment portfolio. Both the intercept ($\beta = 0.257$, $p < 0.001$) and the coefficient for perceived benefits ($\beta = 0.543$, $p < 0.001$) are statistically significant. This finding indicates that individuals who perceive greater benefits from diversification are more inclined to include cryptocurrencies in their portfolios.

3. Gender and Investment Preference: The distribution of gender shows that while male and female respondents have relatively similar representation, a notable percentage (19%) identifies as non-binary. This suggests that the sample is diverse in terms of gender identity, which could influence investment preferences and perceptions.

4. Education Level and Investment Behavior: The education level distribution indicates that the majority of respondents (56%) hold bachelor's degrees, followed by 31% with master's degrees. This suggests a relatively high level of educational attainment among participants, which might influence their investment decisions and risk perceptions.

5. Risk Perception Variation by Age: The age distribution of respondents reveals that the majority falls within the 18-44 age range, with the highest percentage (31%) in the 18-24 category. The data indicates that younger participants (18-24) are more likely to

 

strongly agree (36%) with the perception of higher risk associated with cryptocurrencies compared to other age groups.

6. Influence of Diversification Perception on Likelihood to Invest: Participants who perceive diversification as having a "very much" or "completely" beneficial impact on risk mitigation are more likely to express a preference for including cryptocurrencies in their investment portfolios (40% and 24% respectively).

These findings collectively provide insights into the relationship between risk perception, perceived benefits of diversification, and the propensity to invest in cryptocurrencies among individuals who are aware and invest in cryptocurrency. The diverse demographic characteristics within the sample further highlight the complex interplay of factors that shape investment preferences and perceptions.

**Conclusion**

In conclusion, this study sheds light on the dynamic interplay between risk perception, perceived benefits of diversification, and the inclination to invest in cryptocurrencies among individuals who are aware and actively engage in cryptocurrency investment. The findings reveal a strong positive correlation between risk perception and the extent of cryptocurrency investment, suggesting that those who perceive greater risk are more likely to invest more in cryptocurrencies. Additionally, the study demonstrates that the perceived benefits of diversification significantly influence the preference for including cryptocurrencies in investment portfolios. These results emphasize the multifaceted nature of investment decision-making, influenced by both risk perception and perceived portfolio diversification benefits. As the cryptocurrency landscape evolves, these insights provide valuable information for investors, policymakers, and financial advisors seeking to understand the driving factors behind cryptocurrency investment choices.

**Limitations**

Several limitations are present in this study that warrant consideration. Firstly, the research focused exclusively on individuals who are already aware of and invest in cryptocurrencies, potentially leading to selection bias and limiting the generalizability of findings to the broader population. Secondly, the study relied on self-reported data, which can be susceptible to response bias and inaccuracies. Moreover, the cross-sectional nature of the data prevents

 

establishing causality, and the study did not account for potential confounding variables that could influence the observed relationships. Additionally, the study was conducted within a specific geographic location (Pune), which might limit the applicability of results to different cultural and regional contexts. Despite these limitations, this study provides valuable insights into the complex dynamics of cryptocurrency investment behavior and paves the way for future research to address these limitations for a more comprehensive understanding.

**Future Scope of the Study**

The current study opens the door to several promising avenues for future research. Firstly, conducting a similar investigation across different geographical regions and cultural contexts could provide a more comprehensive understanding of cryptocurrency investment behavior and preferences. Longitudinal studies could be employed to examine how perceptions and behaviors evolve over time and in response to market dynamics. Additionally, incorporating qualitative research methods such as interviews or focus groups could offer deeper insights into the underlying motivations and decision-making processes of cryptocurrency investors. Exploring the role of regulatory changes and technological advancements on investment decisions could further enrich the understanding of this rapidly evolving field. Furthermore, extending the study to include a wider range of demographic variables and factors, such as income levels and investment experience, could yield more nuanced insights into the drivers of cryptocurrency investment behavior.

**References**

Almeida, J., & Gonçalves, T. C. (2022). Portfolio Diversification, Hedge and Safe-Haven Properties in Cryptocurrency Investments and Financial Economics: A Systematic Literature Review. *Journal of Risk and Financial Management*, 16(1), 3. DOI: 10.3390/jrfm16010003

Andrianto, Y., &Diputra, Y. (2017). The Effect of Cryptocurrency on Investment Portfolio Effectiveness. *Journal Name Not Specified*, 10.11648/J.JFA.20170506.14.

Burggraf, T. (2019). Risk-Based Portfolio Optimization in the Cryptocurrency World. *SSRN Electronic Journal*, 10.2139/ssrn.3454764.

Chuen, D. L. K., Guo, L., & Wang, Y. (2017). Cryptocurrency: A New Investment Opportunity? *Journal Name Not Specified*.

 

Chuen, D. L. K., Guo, L., & Wang, Y. (2017). Cryptocurrency: A New Investment Opportunity?

Chuen, D. L. K., Guo, L., & Wang, Y. (2019). Practical Applications of Cryptocurrency: A New Investment Opportunity? *Practical Application*.

Czasonis, M., Kritzman, M., Pamir, B., & Turkington, D. (2021). The Role of Cryptocurrencies in Investor Portfolios. *Social Science Research Network*, 10.2139/SSRN.3806212.

Czasonis, M., Kritzman, M., Pamir, B., & Turkington, D. (2022). The Role of Cryptocurrencies in Investor Portfolios. *The Journal of Alternative Investments*, 25(1), 5-22. DOI: 10.3905/jai.2022.1.160

Feng, W., Wang, Y., & Zhang, Z. (2018). Can cryptocurrencies be a safe haven: a tail risk perspective analysis. *Applied Economics*, 50(24), 2669-2684. DOI: 10.1080/00036846.2018.1466993

Flori, A. (2019). Cryptocurrency in finance: Review and applications. *International Journal of Theoretical and Applied Finance*, 22(6), 1950020. DOI: 10.1142/S0219024919500201

Guo & Li (2017): Analyzing cryptocurrency risk reveals that a closer alignment of wealth distribution with the Power-Law model can contribute to market stability, offering insights for investor decisions (Guo & Li, 2017).

Guo, L., & Li, X. J. (2017). Risk Analysis of Cryptocurrency as an Alternative Asset Class. In *Book Title*.

Liu, Y., &Tsyvinski, A. (2018). Risks and Returns of Cryptocurrency. *The Review of Financial Studies*, 10.2139/ssrn.3226952.

Liu, Y., &Tsyvinski, A. (2018). Risks and Returns of Cryptocurrency.

Magomedova, S. Z., Suleymanova, N., Atemova, A. Z., & Magomedova, Z. H. (2020). CRYPTOCURRENCY AS AN INVESTMENT TOOL OF THE MODERN FINANCIAL MARKET. *Scientific Review: Theory and Practice*, 10.35679/2226-0226-2020-10-11-2882-2890.

ISSN PRINT 2319 1775 Online 2320 7876
 **UGC CARE Listed ( Group -I) Journal Volume 11, Iss 12, 2022**

Marobhe, M. (2021). Cryptocurrency as a safe haven for investment portfolios amid COVID-19 panic cases of Bitcoin, Ethereum and Litecoin. *China Finance Review International*, 11(5), 832-853. DOI: 10.1108/cfri-09-2021-0187

Perz, P., &Gemzik-Salwach, A. (2020). CRYPTOCURRENCIES AS A SUBJECT OF FINANCIAL INVESTMENTS. RISK ANALYSIS AND POTENTIAL BENEFITS ON THE EXAMPLE OF BITCOIN. *Journal Name Not Specified*, 10.22630/aspe.2020.19.2.13.

Saksonova, S., & Kuzmina-Merlino, I. (2019). Cryptocurrency as an Investment Instrument in a Modern Financial Market. *St Petersburg University Journal of Economic Studies*, 10.21638/spbu05.2019.205.

Trimborn, S., Li, M., &Härdle, W. (2020). Investing with Cryptocurrencies—a Liquidity Constrained Investment Approach. *Journal of Financial Econometrics*, 1.625 (1823).

Wong, W. S., Saerbeck, D., & Delgado Silva, D. (2018). Cryptocurrency: A New Investment Opportunity? An Investigation of the Hedging Capability of Cryptocurrencies and Their Influence on Stock, Bond and Gold Portfolios.

Zwick, C. (2020). Cryptocurrencies as an Alternative Asset Class. *Journal Name Not Specified*.