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## CRYPTOCURRENCY INVESTMENTS IN INDIA: UNRAVELING GROWTH, CHALLENGES, AND FUTURE PROSPECTS

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### ABSTRACT

The rapid growth of information and communication technologies has paved the way for innovative financial instruments, including cryptocurrencies, which have gained global prominence. This study examines the growth, challenges, and opportunities associated with cryptocurrency investments in India. By analyzing primary data from 170 respondents in and around Coimbatore, the research highlights demographic trends, investment patterns, risk factors, and satisfaction levels. While cryptocurrencies are favored for their safety and reliability, challenges such as lack of transparency, liquidity issues, and insufficient customer support hinder their adoption. The study suggests strategies to address these challenges, including enhancing transparency, strengthening customer support, improving security measures, and fostering regulatory frameworks. These measures aim to build a sustainable and trustworthy crypto ecosystem in India.

**KEYWORDS:** Cryptocurrency, Bitcoin, Investment Challenges, Transparency, Risk Management

### INTRODUCTION

Due to the rapid development of Information and Communication technologies, many activities in our daily life have been merged online and they become more flexible and more effective. As E-Commerce becoming the most integral part, internet sales are booming with more Techno-Indian customers. A huge growth in number of online users has activated virtual word concepts and created a new business phenomenon which is cryptocurrency to facilitate the financial activities such as buying, selling and trading. The use of virtual currency has become widespread in many different systems in recent years. Bit coin came into existence in later 2009 as a medium of online transactions.

The gap between buyer and the seller was bridged by the financial institutions. They served as a trusted third party to process E-Payments. Even though the gap was bridged effectively, there was always a dependency factor for both the buyer's and seller's trading activities. This dependency turns to be a factor responsible for the invention of Cryptocurrency.

In India the use of Cryptocurrency is still in the development phases as reported by RBI. Bitcoin is a digital currency which does not involve government intervention or authorization by any legal entity. Bitcoin is a combination of cryptography and digital encryption which can be utilized for online transaction. Bitcoin relies on cryptographic protocols and a distributed network of users to store, mine and effectively transferring. Bitcoin supports investor to perform their transactions by themselves without any help from the financial sectors because Bitcoin is considered to be digital currency which serves as an alternative for money market. The process of transacting a Bitcoin involves Mining. Bitcoin provides a reward for exchange of mining services provided by the miners all over the world, if the miners don't exist transaction of crypto currencies will be an impossible task or it might be subjected to fallacies. These miners use specialized high-performance equipment's, sound technology, and henceforth this process of mining protecting the data at a very high level, therefore this can be coined as Block chain process. The network generates a maximum of 50 Bitcoin per block and this number decreases over the time with the repeated usage of the technology. Hence the study is attempted to study the growth and challenges involved in Investing Cryptocurrency

### **Statement of the problem**

There is no doubt that years of knowledge and communication technology have created many opportunities for gold. Beneficiaries of this technology and online connectivity include the financial and business sectors. Internet users activated the growing global concept, which led to the emergence of a new business unit. As a result, new forms of trade, transactions and finance emerged. Crypto is one of the most popular financial forms that has emerged in recent years. Crypto is defined as any type of currency other than real-world currency that can be used in a variety of financial transactions, whether real or virtual. In accordance with this basis, the researchers have conducted the research entitled Analyze the cryptocurrency: growth and challenges in India.

### **Objectives of the Study**

- To identify the respondent's awareness level towards Cryptocurrency.
- To analyze the factors those are influencing the investors of cryptocurrency.
- To study the respondent's preference level towards cryptocurrency.
- To identify the satisfaction level of respondents towards cryptocurrency.
- To determine the risk factors faced by the investors in cryptocurrency.

### **Scope of Study**

The scope of study is restricted to the study of cryptocurrency: Growth and Challenges in India, it deals with Bitcoin, Cryptocurrency, digital currency challenges, Digital legislatures, Government opinion, use of Cryptocurrency, Users trust you and it also helps to identify the different problems and suggestions for further optimistic enhance of Cryptocurrency.

### **Review of Literature**

Kumar, V., & Sharma, P. (2021)<sup>1</sup>, This study explores the increasing adoption of cryptocurrencies in India and the factors driving investment behavior. It highlights the role of awareness, technological advancements, and financial literacy in shaping investment decisions. The authors discuss how cryptocurrency investments are gaining traction among young, tech-savvy investors in urban areas. However, challenges like regulatory uncertainty, lack of government support, and volatility have been identified as significant deterrents to widespread adoption. The paper suggests that cryptocurrency exchanges need to enhance user education and offer more secure investment avenues to boost investor confidence.

Singh, R., & Gupta, M. (2020)<sup>2</sup>, This literature review examines the challenges associated with cryptocurrency regulation both globally and in India. The authors discuss the lack of clarity in Indian regulations surrounding cryptocurrencies and the difficulties faced by investors due to this uncertainty. The review compares India's regulatory stance with other countries like the US, Japan, and Europe, providing insights into how different nations are navigating the complexities of cryptocurrency regulation. The paper suggests that India must adopt a balanced regulatory approach that promotes innovation while ensuring investor protection.

Agarwal, N., & Verma, S. (2022)<sup>3</sup>, This study focuses on understanding the risk factors associated with cryptocurrency investments in India and how they influence investor sentiment. The research identifies key concerns such as market volatility, security risks, and the potential for illegal activities. The study highlights how these factors contribute to investor hesitation, despite the growing popularity of cryptocurrencies. The authors suggest that addressing security vulnerabilities and providing more transparent information on crypto-assets will be key to improving investor confidence and attracting more institutional investors.

Patel, A., & Mehta, J. (2021)<sup>4</sup>, This paper investigates the opportunities and challenges that cryptocurrencies present to India's financial system. The authors explore the potential of cryptocurrencies to enhance financial inclusion, especially for the unbanked and underbanked populations in rural and semi-urban areas. However, the study also points to the risks of money laundering, terrorist financing, and financial instability if proper safeguards are not implemented. The paper advocates for a hybrid approach, where cryptocurrency can coexist with traditional financial systems but under stringent oversight and regulation.

## **Research Methodology**

Research methodology is a way to systematically solve the research problem: it is how the research is done scientifically. It consists of different steps that are generally adopted by researcher to study the research problem along with logic behind them.

### **1. Sources of data**

Both Primary and Secondary data have been obtained by administering a structured questionnaire.

#### **Collection of data**

- **Primary data**

Primary data have been obtained by administering a structured questionnaire.

- **Secondary data**

Secondary data have been collected from journals, magazines, books, web sites.

### **2. Area of the study**

The study was undertaken in and around Coimbatore.

### **3. Sampling Technique**

A convenience sampling technique has been used to select sample respondents for the study.

### **4. Sample size**

A total of 170 sample respondents have been considered for this study.

The data provided outlines the demographic and behavioural characteristics of respondents regarding various aspects of their preferences, financial habits, and satisfaction levels. Below is an interpretation:

<b>Gender</b>	<b>No of respondents</b>	<b>Percentage</b>
Male	95	55.9
Female	75	44.1
<b>Age</b>	<b>No of respondents</b>	<b>Percentage</b>
Upto 20	51	30.0
21-30	87	51.2
31-40	19	11.2
40 and above	13	7.6
<b>Educational status</b>	<b>No of respondents</b>	<b>Percentage</b>
School level	7	4.1
Ug	106	62.4

Pg	35	20.6
Professional	22	12.9
<b>Occupational status</b>	<b>No of respondents</b>	<b>Percentage</b>
Student	85	50.0
Employee	43	25.3
Agriculturist	12	7.1
Professional	18	10.6
Business	12	7.1
<b>Family income</b>	<b>No of respondents</b>	<b>Percentage</b>
Upto ₹20,000	20	11.8
₹20,001-₹40,000	58	34.1
₹40,001-₹60,000	44	25.9
Above ₹60,000	48	28.2
<b>Residential status</b>	<b>No of respondents</b>	<b>Percentage</b>
Urban	72	42.4
Rural	72	42.4
Semi urban	26	15.3
<b>Number of earning members</b>	<b>No of respondents</b>	<b>Percentage</b>
One	46	27.1
Two	87	51.2
Three	27	15.9
Four	10	5.9
<b>Duration</b>	<b>No of respondents</b>	<b>Percentage</b>
Less than 1 year	64	37.6
1-2 years	75	44.1
2-3 years	21	12.4
Above 3 years	10	5.9
<b>Amount</b>	<b>No of respondents</b>	<b>Percentage</b>
Upto ₹5000	74	43.5
₹5,001-₹10,000	29	17.1
₹10,001-₹15,000	53	31.2
Above ₹15,001	14	8.2
<b>Usage</b>	<b>No of respondents</b>	<b>Percentage</b>
Investing	67	39.4
Trading	62	36.5
Storage of value	30	17.6

Transferring funds	11	6.5
<b>Purchase mode</b>	<b>No of respondents</b>	<b>Percentage</b>
Through exchange	75	44.1
Exchange for goods and services	69	40.6
Mining	26	15.3
<b>Reasons</b>	<b>No of respondents</b>	<b>Percentage</b>
Control over assets	52	30.6
Reliable long-term store of value	79	46.5
Deflationary	26	15.3
Transparency	13	7.6
<b>Satisfaction</b>	<b>No of respondents</b>	<b>Percentage</b>
Returns	55	32.4
Safety	57	33.5
Easy to maintain	33	19.4
Flexibility and independent training	25	14.7
<b>Total</b>	<b>170</b>	<b>100.0</b>

### Demographic Profile

- **Gender:** The majority of respondents are male (55.9%), with females making up 44.1%.
- **Age:** Most respondents (51.2%) fall in the 21-30 age group, followed by 30% in the "up to 20" category. Only a small percentage (7.6%) are 40 years or older.
- **Educational Status:** A significant portion (62.4%) has an undergraduate (UG) degree, while 20.6% hold a postgraduate (PG) degree. Professionals constitute 12.9%, and only 4.1% have a school-level education.
- **Occupational Status:** Half of the respondents are students (50%), followed by employees (25.3%). Other occupations like professionals, agriculturists, and business owners make up smaller proportions.

### Financial Profile

- **Family Income:** The largest group of respondents earns between ₹20,001-₹40,000 monthly (34.1%), followed by 28.2% earning above ₹60,000.
- **Number of Earning Members:** Most families have two earning members (51.2%), while 27.1% rely on one earning member.
- **Residential Status:** Urban and rural respondents are equally distributed (42.4% each), with 15.3% living in semi-urban areas.

### Usage Patterns

- **Duration of Use:** 44.1% have been using the service/product for 1-2 years, while 37.6% are relatively new users with less than 1 year of experience.
- **Amount Spent:** A large proportion (43.5%) spends up to ₹5,000, while 31.2% allocate ₹10,001-₹15,000. Only 8.2% spend above ₹15,001.
- **Purpose of Use:** The top reasons for usage are investing (39.4%) and trading (36.5%), while a smaller group uses it for storage of value (17.6%) and fund transfers (6.5%).
- **Purchase Mode:** The primary mode of purchase is through exchanges (44.1%), followed by exchanges for goods and services (40.6%). Mining accounts for 15.3% of usage.

### Motivations and Satisfaction

- **Reasons for Preference:** The most cited reason is the reliability of a long-term store of value (46.5%), followed by control over assets (30.6%). Deflationary benefits (15.3%) and transparency (7.6%) are less prominent.
- **Satisfaction Levels:** Safety (33.5%) and returns (32.4%) are the most significant satisfaction factors, with ease of maintenance (19.4%) and flexibility (14.7%) contributing to satisfaction to a lesser extent.

### Table showing the level of problems faced while investing in cryptocurrency

This describes the results of average score analysis in terms of average score on the level of problems you faced while investing in cryptocurrency.

Problems	Level	Rank	Rank	Rank	Rank	Total	Average score	Average Rank
		1 (4)	2 (3)	3 (2)	4 (1)			
No transparency	No Score	50 200	96 288	9 18	3 3	170 509	2.99	1
Lack of liquidity	No Score	16 64	128 384	10 20	4 4	170 472	2.77	2
No customer support	No Score	24 96	99 297	30 60	5 5	170 458	2.69	3
Privacy and security issues	No Score	18 72	103 206	7 14	30 30	170 322	1.894	4



**Interpretation:**

It is found in the table that the respondents have high rank on “No transparency” and followed by “Lack of liquidity” when compared to “No customer support” and “Privacy and security issues”.

**Opinion on the level of agreeability towards the risk factors associated with crypto currency**

The Table describes the results of chi-square analysis in terms of occupational status, chi-square value, p - value and their significance on the level of agreeability towards the risk factors associated with crypto currency

**Chi-square value–the level of agreeability towards the risk factors associated with Crypto Currency**

Risk factors	P-value	DF	Significant value	NS/S
Occurrence of illegal activity	18.983	8	0.015	NS
Risk of Loss	6.419	8	0.600	NS
Technical Hitches	14.017	8	0.081	NS
Expertise Knowledge	4.986	8	0.759	NS
Highly Volatile Market	9.301	8	0.318	NS

**Note:** S-Significant (p value <0.05); NS-No significant (p value>0.05).

**Interpretation:**

It is concluded that the occupational status of the respondents have no significant inference on the level of agreeability towards the risk factors associated with crypto currency.

**SUGGESTIONS**

- **Enhancing Transparency:** Companies and platforms should improve transparency by providing detailed and accessible information on transactions, terms, and policies.
- **Improving Liquidity:** Efforts should focus on creating better liquidity mechanisms to ensure smoother and faster transactions.
- **Strengthening Customer Support:** Establish robust customer support systems, including 24/7 assistance, to address users' concerns effectively.
- **Addressing Privacy and Security Issues:** Enhance encryption, data protection, and user authentication measures to reduce concerns about privacy and security.
- **Educational Initiatives:** Launch awareness campaigns and training programs to educate users about cryptocurrency investment risks and strategies.



- **Regulatory Framework:** Governments and regulatory bodies should introduce policies that balance innovation with consumer protection to build trust in the crypto ecosystem.

## CONCLUSION

The study reveals that while cryptocurrency investments appeal to a young, educated demographic, they face significant challenges related to transparency, liquidity, and customer support. Despite these challenges, safety, reliability, and returns remain key drivers of satisfaction. To foster long-term adoption and trust, stakeholders must address the identified issues and educate users about the risks and benefits of cryptocurrency investments. Building a transparent and secure ecosystem will not only attract more users but also enhance their confidence and engagement in the digital financial domain.

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