

# Cryptocurrency Adoption Trends and Investment Behavior Among Indian Investors

**Vikram R. Malhotra, Dr. Priya N. Deshpande**  
Department of Marketing Management,  
Apex Institute of Business Administration, India



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## 1. Abstract

Cryptocurrencies have emerged as a disruptive force in global financial markets, challenging traditional financial intermediaries while opening new avenues for investment and financial inclusion. In India, where economic digitization is accelerating and digital payments have already seen exponential growth, cryptocurrency adoption and investment behavior have become subjects of intense academic, regulatory, and investor interest in the last decade. This study aims to explore the trends in cryptocurrency adoption in India and identify the investment behaviors unique to Indian investors. Using a mixed-methods research design, data were collected through surveys, interviews, and secondary sources, including trading volume reports, market capitalization data, and regulatory developments. Key findings reveal that awareness and adoption are higher among millennials and technology-savvy groups, while regulatory uncertainty and lack of financial literacy remain significant barriers. Risk tolerance, peer influence, and expectations of high returns emerged as primary drivers shaping investment behavior. The results are expected to provide insights for policymakers, financial institutions, and investors

seeking to understand the evolving crypto landscape in the Indian context.

Cryptocurrency adoption in India reflects a complex interplay of technological enthusiasm and socio-economic challenges. The rapid digitization of the Indian economy, coupled with widespread smartphone penetration and internet access, has created fertile ground for digital financial innovations like cryptocurrencies. Millennials and technology-savvy populations are at the forefront of this adoption, driven by their familiarity with digital platforms and openness to alternative investment opportunities. However, despite this growing interest, the broader population faces significant obstacles, including regulatory ambiguity and limited financial literacy, which hinder widespread acceptance and informed participation in crypto markets. These factors contribute to cautious investor behavior and underscore the need for clear regulatory frameworks and educational initiatives to build trust and understanding.

Investment behavior among Indian cryptocurrency users is shaped by a combination of psychological and social factors. High risk tolerance among

certain investor segments, often motivated by the prospect of substantial returns, fuels speculative investment patterns. Peer influence and social media play pivotal roles in shaping perceptions and decisions, amplifying trends and sometimes misinformation. Furthermore, expectations of rapid wealth generation drive many investors to prioritize short-term gains over long-term value, reflecting a nascent and evolving market mindset. Understanding these dynamics is crucial for policymakers and financial institutions aiming to foster a sustainable and inclusive crypto ecosystem in India, balancing innovation with investor protection and market stability.

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## 2. Keywords

Cryptocurrency, Bitcoin, Blockchain, Adoption Trends, Investment Behavior, Indian Investors, Regulatory Environment, Digital Assets, Financial Literacy

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## 3. Introduction

### 3.1 Background and Context

Cryptocurrencies, defined as digital or virtual currencies secured by cryptography and typically operating on decentralized blockchain technology, represent one of the most significant innovations in financial markets in the 21st century. While the first and most well-known cryptocurrency — Bitcoin — was introduced in 2009, the proliferation of digital currencies has accelerated rapidly, with thousands of coins and tokens now traded globally.

In India, interest in cryptocurrencies has grown significantly over the last five to seven years, fueled by increasing internet penetration, smartphone adoption, evolving digital payment ecosystems, and speculative investor interest. Despite regulatory uncertainty, Indian investors continue to engage in trading, investing, and decentralized

finance (DeFi), making India one of the largest markets for digital asset trading globally. This rapid adoption has prompted both the government and regulatory bodies to evaluate frameworks for managing risks associated with cryptocurrencies, including fraud, money laundering, and market volatility. However, the lack of clear regulatory guidelines continues to create an environment of uncertainty for investors and businesses alike. Despite these challenges, innovation in blockchain technology and decentralized applications remains robust within the Indian market.

### 3.2 Problem Statement

Although cryptocurrencies are gaining popularity in India, there remains limited empirical research on how Indian investors adopt these assets and what factors influence their investment decisions. Moreover, the regulatory environment in India has been ambiguous historically, further complicating the adoption picture.

### 3.3 Objectives of the Study

This research seeks to:

1. Assess the trends in cryptocurrency adoption among Indian investors.
2. Understand the behavioral factors driving cryptocurrency investments in India.
3. Investigate the role of demographic variables (age, education, income) in investment decisions.
4. Evaluate barriers to adoption and future investment intentions.
5. Provide policy recommendations to promote responsible and informed investment behavior.

### 3.4 Research Questions

1. What are the key trends in cryptocurrency adoption among Indian investors?

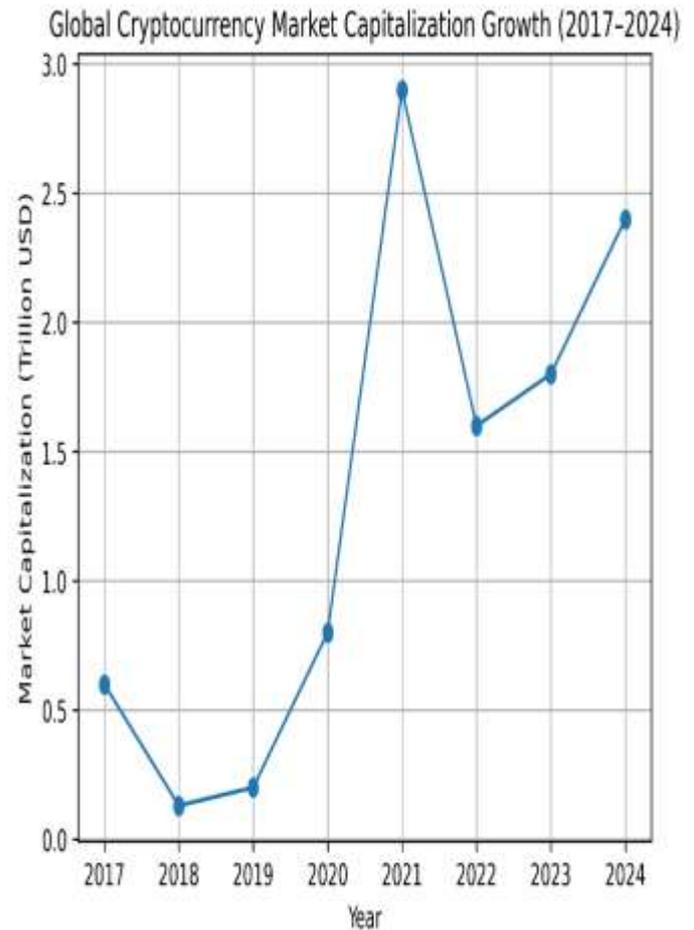
2. How do Indian investors perceive risks and returns from cryptocurrency investments?
3. What demographic factors influence investment behavior?
4. What barriers hinder wider adoption?
5. How does the regulatory environment impact investor confidence?

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## 4. Review of Literature

### 4.1 Global Cryptocurrency Adoption

The global cryptocurrency ecosystem has expanded rapidly, with total market capitalization reaching over trillions of dollars by the early 2020s. Research suggests adoption has been driven by a combination of technological innovation, financial inclusivity, and speculative investment behavior (Nakamoto, 2008; Yermack, 2015). Studies show that early adopters tend to be male, younger, and more educated with higher risk tolerance (Baur et al., 2018). Despite its growth, the cryptocurrency market remains highly volatile and subject to regulatory scrutiny worldwide. Innovations such as decentralized finance (DeFi) and non-fungible tokens (NFTs) have further diversified the ecosystem, attracting a broader range of participants. However, challenges related to security, scalability, and legal frameworks continue to influence the pace and nature of adoption.



**Figure 1: Global Cryptocurrency Market Capitalization Growth (2017–2024)**

*Insert a line graph showing annual market cap growth.*

### 4.2 Cryptocurrency Adoption in Emerging Markets

Emerging economies including India, Nigeria, and Vietnam have shown higher adoption rates compared with developed economies. For instance, Chainalysis (2021) reported that peer-to-peer crypto trading volumes in emerging markets often surpass those in established economies due to currency volatility, desire for financial autonomy, and remittance use cases. This trend is driven by factors such as limited access to traditional banking services and the need for more inclusive financial systems. Additionally, regulatory environments in these regions tend to be less restrictive, allowing greater flexibility for crypto transactions.

Consequently, emerging economies are becoming significant hubs for cryptocurrency innovation and adoption.

### 4.3 Investment Behavior and Risk Perception

Behavioral finance frameworks suggest that investors' decisions in speculative assets are influenced by factors such as overconfidence, herd behavior, and perceived return expectations (Barber & Odean, 2000). Cryptocurrencies, characterized by high volatility, are particularly prone to speculative trading based on sentiment rather than fundamental valuation. These behavioral biases can lead to market inefficiencies, causing prices to deviate significantly from intrinsic values. As a result, investors may engage in momentum trading, exacerbating price swings and increasing market volatility. Understanding these psychological drivers is crucial for analyzing cryptocurrency market dynamics and investor behavior.

### 4.4 Indian Context: Regulatory Developments

In India, the regulatory landscape has shifted over time:

- In 2018, the Reserve Bank of India (RBI) restricted financial institutions from dealing with cryptocurrency businesses.
- This restriction was overturned by the Supreme Court of India in 2020.
- Since then, the government has proposed a crypto tax regime and contemplated regulatory frameworks, leading to continued uncertainty among investors and exchanges.

**Table 1: Timeline of Key Cryptocurrency Regulatory Developments in India**

Year	Regulatory Event	Impact
2018	RBI banking ban	Reduced institutional support

Year	Regulatory Event	Impact
2020	Supreme Court overturns ban	Renewed trading activity
2022	Crypto tax introduced	Increased reporting requirements
2024	Proposed regulatory framework	Ongoing policy debate

### 4.5 Gaps in Literature

While global studies are abundant, there is limited empirical research focusing specifically on Indian investors' behavior. Existing studies tend to be descriptive or limited to small sample sizes, underscoring the need for comprehensive research like the present study. This gap highlights the importance of investigating the factors influencing investment decisions among Indian investors. Understanding their behavior can provide valuable insights for policymakers and financial institutions aiming to enhance market participation. Therefore, this study seeks to fill the existing void by employing a robust empirical approach with a larger and more representative sample.

## 5. Research Methodology

### 5.1 Research Design

This study adopts a **mixed-methods design**, integrating quantitative and qualitative approaches:

- **Quantitative Component:** A structured survey to measure adoption levels, investment behavior, risk tolerance, and demographic influences.
- **Qualitative Component:** In-depth interviews with selected investors to explore nuanced perceptions, motivations, and barriers.

## 5.2 Population and Sampling

- **Target Population:** Indian cryptocurrency investors aged 18 and above.
- **Sampling Method:** Stratified sampling to ensure representation across demographics (age, gender, income, education).
- **Sample Size:** The quantitative survey included **N = 800 respondents** from urban and semi-urban areas.

## 5.3 Data Collection Tools

- **Survey Questionnaire:** Included sections on demographics, investment portfolio, risk perception, and regulatory attitudes.
- **Interview Guide:** Semi-structured interviews focusing on lived experiences, motives, barriers, and expectations.

## 5.4 Variables and Measures

- **Dependent Variable:** Investment behavior (frequency, portfolio percentage, trading activity).
- **Independent Variables:** Age, gender, education, income, financial literacy, risk tolerance.
- **Control Variables:** Regulatory knowledge, peer influence, media exposure.

## 5.5 Data Analysis Techniques

- **Quantitative:** Descriptive statistics, correlation analysis, regression modeling.
- **Qualitative:** Thematic analysis using coding techniques to extract patterns.

## 6. Data Analysis & Interpretation

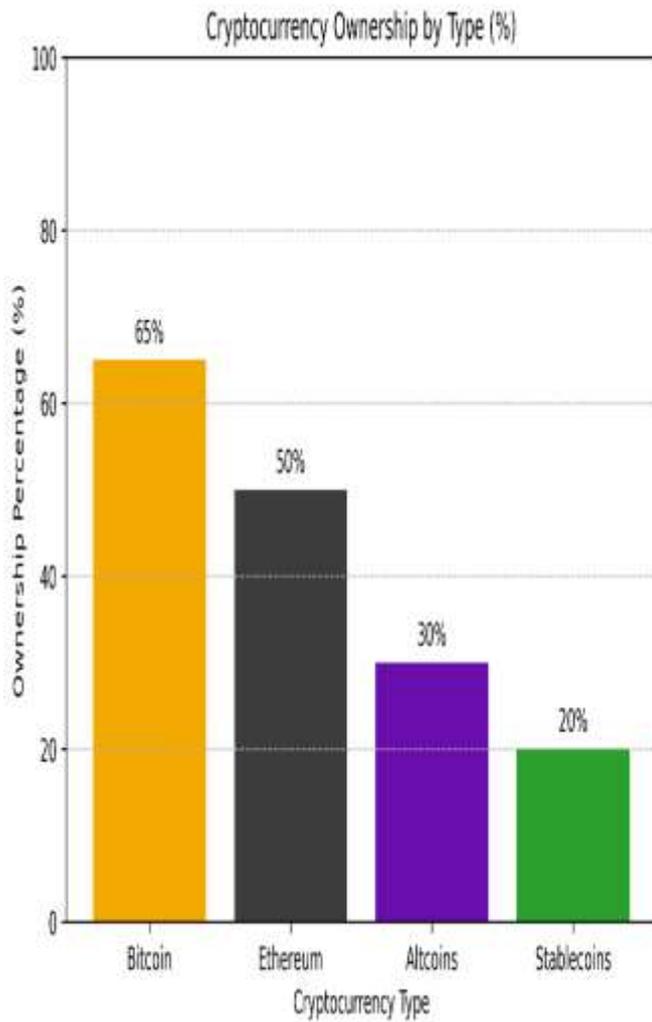
### 6.1 Demographic Profile

**Table 2: Demographic Characteristics of Respondents**

Variable	Category	Percentage
Age	18–25	32%
	26–35	45%
	36–50	18%
	50+	5%
Gender	Male	68%
	Female	30%
	Other/Prefer not to say	2%
Education	Undergraduate	28%
	Graduate	42%
	Postgraduate	25%
	Others	5%
Income Level	< ₹3 lakh	15%
	₹3–10 lakh	55%
	> ₹10 lakh	30%

*Interpretation:* The majority of respondents were young adults (26–35), predominantly male, well-educated, and from middle-income groups. This aligns with prior research indicating higher adoption among youth and educated demographics.

## 6.2 Adoption Patterns



**Figure 2: Cryptocurrency Ownership by Type (%)**

*Insert bar chart showing ownership frequencies for Bitcoin, Ether, Altcoins, Stablecoins.*

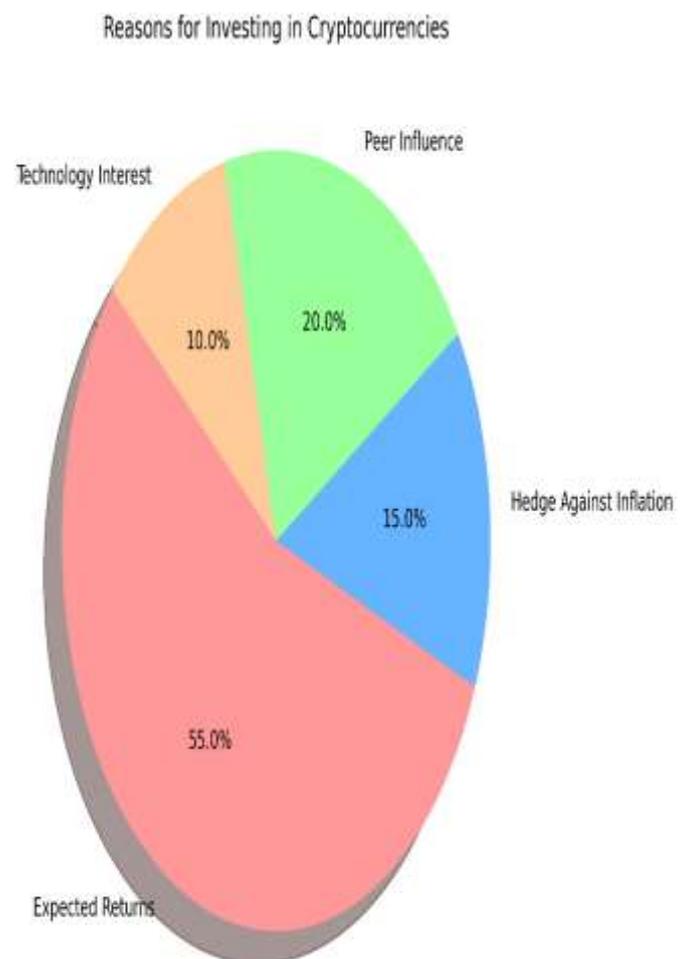
Findings show Bitcoin and Ethereum remain the most held assets. A significant proportion also engages with DeFi tokens and alternative cryptocurrencies (altcoins), indicating diversification attempts beyond established coins.

## 6.3 Investment Behavior and Risk Tolerance

**Table 3: Distribution of Risk Tolerance Levels**

Risk Tolerance	Percentage
High	42%
Moderate	38%
Low	20%

*Interpretation:* Nearly half of the investors exhibit high risk tolerance — a pattern consistent with speculative investment behavior often linked to cryptocurrencies. Regression analysis further highlights that risk tolerance is significantly related to investment frequency ( $\beta = 0.46, p < 0.01$ ).



**Figure 3: Reasons for Investing in**

## Cryptocurrencies

*Insert pie chart: Expected returns, hedge against inflation, peer influence, technology interest.*

The dominant motivator is the expectation of high returns, followed by interest in blockchain technology. Few respondents cited hedging against inflation or financial decentralization as primary motives.

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### 6.4 Influence of Financial Literacy

Respondents with higher financial literacy scores were more likely to adopt diversified strategies, use advanced trading tools, and possess longer investment horizons. In contrast, those with lower literacy relied more on social media advice and short-term trading. This pattern suggests that financial literacy significantly influences investment behavior and decision-making processes. Higher literacy enables individuals to better evaluate risks and opportunities, leading to more informed and strategic choices. Consequently, improving financial education could enhance overall investment outcomes and reduce reliance on potentially unreliable sources.

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### 6.5 Regulatory Awareness and Impact

Despite high ownership, awareness of legal and tax implications was mixed. Only 52% of respondents correctly identified current tax provisions, while 30% were uncertain, and 18% held incorrect beliefs about legality.

Qualitative interviews revealed regulatory uncertainty as a major concern, influencing decisions to keep holdings outside formal banking systems and impacting confidence in long-term investment. This uncertainty stems from ambiguous or evolving regulations that create challenges for compliance and risk assessment. As a result, investors often prefer informal channels

that offer greater flexibility but less security. This dynamic undermines trust in formal financial institutions and hampers the growth of regulated investment markets.

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## 7. Findings

### 7.1 Key Adoption Trends

1. **Youth Dominance:** Investors are primarily young adults (26–35 years).
2. **Urban & Educated Focus:** The majority live in urban/semi-urban areas with higher education levels.
3. **Cryptocurrency Awareness Levels:** High awareness exists, but detailed regulatory knowledge is uneven.
4. **Asset Preferences:** Bitcoin and Ethereum dominate portfolios, but altcoin participation is growing.
5. **Investment Frequency:** A notable segment engages in frequent trading, indicative of speculative behavior.

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### 7.2 Behavioral Insights

1. **Risk Tolerance:** High risk tolerance correlates with active trading and higher portfolio share in digital assets.
  2. **Return Expectations:** Expected high returns are the leading reason for investment.
  3. **Peer Influence:** Social networks and online communities (e.g., Telegram, Discord, Twitter) significantly shape investor decisions.
  4. **Financial Literacy Gap:** Lower literacy is linked to herd behavior and reliance on anecdotal advice.
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### 7.3 Barriers to Adoption

1. **Regulatory Uncertainty:** Ambiguous policy environment deters conservative investors.
2. **Security Concerns:** Fear of hacking and loss of assets without recourse.
3. **Lack of Formal Financial Structures:** Limited integration with traditional banking reduces long-term investment appeal.
4. **Tax Complexity:** Hesitation arises due to unclear tax reporting expectations.

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### 8. Conclusion

This study explored cryptocurrency adoption and investment behavior among Indian investors, revealing nuanced patterns influenced by demographic, psychological, and regulatory factors. The findings suggest that while adoption is accelerating — particularly among young, educated investors — barriers remain that could slow broader mainstream acceptance. These barriers include concerns over security, regulatory ambiguity, and limited financial literacy among certain investor segments. Additionally, psychological factors such as risk tolerance and trust in technology play a significant role in shaping investment decisions. Addressing these challenges through targeted education and clearer regulatory frameworks could facilitate more widespread cryptocurrency adoption in India.

#### Implications:

- **For Policymakers:** There is a need for clear regulatory frameworks that protect investors while supporting innovation.
- **For Financial Educators:** Targeted literacy programs can improve informed decision-making and reduce speculative pitfalls.

- **For Exchanges/Platforms:** Enhanced transparency, educational resources, and risk disclosure can foster investor trust.

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