

Project Dissertation Report on Why People Avoid Investing in Cryptocurrency

Submitted By

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Certificate

This is to certify that Harsh Jain (24/DMBA/90) has submitted the project report titled: “Why People Avoid Investing in Cryptocurrency” towards partial fulfilment of the Masters of Business Administration Degree Examination at Delhi School of Management, Delhi Technological University. This report has not been submitted for any other examination and does not form part of any other course undertaken by the student.

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Declaration

I, Harsh Jain, student of Delhi Technological University, hereby declare my commitment to the project titled “Why People Avoid Investing in Cryptocurrency.” This report represents an in-depth investigation into the multifaceted reasons underlying the avoidance of cryptocurrency investment among individuals, delving into the intricate interplay of factors ranging from perceived risks and market volatility to psychological biases, socio-economic barriers, and India’s evolving regulatory framework.

The research incorporates primary survey data collected from 147 respondents across India, supplemented by the latest secondary data from leading global research institutions including Chainalysis, TRM Labs, a16z Crypto, the IMF, and Gemini’s 2025 Global State of Crypto Report. Through this integration of primary and secondary data, the report aims to offer a comprehensive, current, and practically relevant understanding of the phenomenon. I hereby declare that this work is entirely original and has not been submitted elsewhere.

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Executive Summary

The cryptocurrency world has witnessed an shift from 2024 to 2026. The cryptocurrency world has grown from being an exclusive technology experiment into a multi-trillion dollar financial structure that is intertwined with the mainstream banking sector, institutions, and policymaking. It should be noted that the total market capitalization of cryptocurrencies has passed the USD 4 trillion milestone mark in 2025, and about 716 million people are using cryptocurrencies around the world. Interestingly, India is leading in terms of grassroots crypto adoption globally, topping the annual Global Crypto Adoption Index by Chainalysis for the third year in a row.

However, in spite of such a massive expansion, there exists a large portion of India's population, comprising especially those over 35 years old, the poor, and the cautious middle class, who completely abstain from investing in cryptocurrencies. This study aims at understanding why. Employing a survey sample of 147 participants (aged between 18–50+), taken using the Google Forms platform and supplemented with secondary data, this study reveals major inhibitors to their adoption.

As the key result from the survey indicates, regulatory uncertainty poses the most significant barrier to converting into crypto investments. Indeed, 56.5% of those surveyed mentioned more favorable regulations as a major factor in convincing them to switch to cryptocurrency investing. The importance of this finding lies in the fact that the recently suggested Indian COINS Act 2025 is aimed at introducing CARA and regulating the country's digital assets following the example of MiCA (EU) or the U.S. GENIUS Act. Price volatility comes in second, with 78.8% of the participants considering price stability "very important" in their investing decisions.

In fact, three case studies on cryptocurrency scams show us that the scam event causes a “fear contagion” effect in terms of deterring investments even further than the actual victims. Together with the results of the survey, these case studies imply an urgent need for regulations, education, and proper media reporting.

Table A: Summary Table

Key Metric	Value / Finding
Global Crypto Market Cap (2025)	USD 4+ Trillion
Global Crypto Owners (2025)	~716 Million (up 16% YoY)
Indian Crypto Users (2025)	~150 Million (World #1)
India's Crypto Tax Rate	30% flat + 1% TDS on gains
Survey Respondents	147 (aged 18–50+, across India)
Top Barrier (Survey)	Regulatory Uncertainty
Price Stability Importance	‘Very Important’
Media Dependency for Info	>50% rely on news/media

Source: Author compilation

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Chapter 1: Introduction

1.1 What is Cryptocurrency?

Cryptocurrency is one of the most truly disruptive innovations in the history of currencies. It is essentially a type of digital currency that uses cryptography to protect the transactions, avoid counterfeiting, and confirm the transfer of assets. Cryptocurrencies are run on decentralised networks (unlike the US Dollar or the Indian Rupee that is issued and controlled by central banks) meaning that there is no single government, bank or institution in charge. This fundamental difference has far-reaching implications for the operation of money, access to financial services and the movement of value across borders.

The idea was conceived in 2008 when someone (or a group) going by the name Satoshi Nakamoto, who was otherwise unknown, published the Bitcoin whitepaper describing a method for electronically transferring money without the need for banks or intermediaries. In January 2009 the first real transaction was made with Bitcoin, starting the age of cryptocurrency. Since then, the ecosystem has grown into tens of thousands of digital assets, sophisticated financial protocols, and a thriving global community of developers, traders, investors and everyday users.

The technology that enables all this is the blockchain – in essence, a shared digital ledger of all transactions that have ever taken place in the network. Each set of transactions is grouped into a ‘block’ cryptographically linked to the previous block, forming a chain that cannot be altered without the consensus of the majority of participants. This makes the system transparent and very secure.

By 2025-26, there have been numerous changes that have occurred in the ecosystem. Currently, blockchain has a capability of making around 3,400 transactions per second, and this is more than 100 times greater than what it was able to do five years ago. Transactions made solely through stable coins total about \$46 trillion each year. Major banks such as BlackRock, Fidelity, JPMorgan, and Visa have launched their own cryptocurrency. In 2025, the market capitalization of all

cryptocurrencies in the world was more than \$4 trillion for the very first time in history, with almost 716 million people owning cryptos.

Key Characteristics of Cryptocurrency:

•Democratisation: Cryptocurrency networks do not operate under the control of any central agency. Instead, this power is distributed among thousands of devices globally, making it nearly impossible for these systems to be censored or malfunction.

•Cryptography: All transactions and all wallets in a cryptocurrency network are encrypted. In other words, only the real owner of a wallet can sign and send the funds.

•Transparency: In a blockchain-based system like Bitcoin and Ethereum, all transactions are accessible to everyone but can still maintain a certain level of user anonymity through pseudonymity.

•Immutability: Once recorded in the system, no transaction can be changed or removed.

•Programmable: The Ethereum platform enables the use of smart contracts – automated deals written in code that work without any intermediaries and make possible whole economies within a system.

•Natural Scarcity: For instance, Bitcoin has a fixed number of coins, limited at 21 million, resulting in natural scarcity and a deflationary

1.2 What is Investment?

Generally speaking, investing involves using your money, time, and other resources at present in order to gain something more in the future. On a financial level, however, investing can be defined as the process of using money to increase one's wealth or achieve financial goals, such as retiring, purchasing property, paying for education, or just preserving money already made. One of the main concepts underlying any investment strategy is the concept of time value of money. According to this concept, current money is always worth more than the same money in the future because of its immediate usefulness. Investors frequently sacrifice their spending capacity at

present in hopes of obtaining more spending capacity in the future. Risk and return form the basis of all investments and the basic principle of investment theory. If the possible gains are high, the risks also must be high. Therefore, rational investors look for the optimal combination of risk and return depending on their personal situation. It gave way to developing the theory known as Modern Portfolio Theory (MPT), created by Harry Markowitz. Modern Portfolio Theory proves that an investor can diversify his portfolio with instruments that do not correlate and thereby decrease the total risk while maintaining the expected return. Cryptocurrency is a new instrument for investing and portfolio management. It possesses the qualities of a currency because it can be used for payment purposes. Also, a cryptocurrency has features of a commodity asset, as well as of a speculative security.

Traditionally, there has been low correlation between cryptocurrencies and traditional assets such as equities and fixed-income instruments; however, the correlation has increased recently with the entry of institutional capital. By the year 2025, it is expected that the average crypto investor will invest 12% of his/her portfolio into cryptocurrency assets, a percentage which keeps rising every year.

1.3 Problem Statement

While India has been successful in creating a good reputation as far as crypto adoption goes globally, there is more than meets the eye. People using cryptocurrencies in India have certain characteristics in common; they tend to be relatively young, tech-savvy, and living in big cities. The majority of the population comprises old adults, small town residents, conservative middle-class individuals, and those with little knowledge of the subject due to lack of formal financial education.

These demographics should not be viewed only from the perspective of personal choice; their exclusion from accessing financial services and products will mean excluding themselves from future opportunities for generating wealth and hence will lead to widening inequalities. To policymakers, this means they will have to understand why people stay away from digital currencies to develop policies that will help protect the investors' rights without alienating them. For businesses and financial institutions, this means a huge market segment remains untouched. The present report explores the numerous factors that influence individuals in India as well as

around the world when deciding against investing in cryptocurrencies, using first-hand survey results, up-to-date research, as well as fraud cases.

1.4 Scope and Objectives of the Study

Scope

In this study, the factors contributing to cryptocurrency avoidance both internally and externally in India are examined, including:

- The perceived risks of market volatility, security issues, regulatory uncertainties, and technological complexity.
- The psychological barriers of risk aversion, loss aversion, aversion to uncertainty, fear of missing out (FOMO), and social influences.
- The socio-economic considerations of income, education, cultural perceptions towards speculative investments, and institutional trust.
- The regulatory landscape in India and its global comparison regarding the regulation of virtual digital assets.
- The influence of media and information in shaping the public perception of cryptocurrencies.
- Cryptocurrency scams and frauds and their role in discouraging investment.

Objectives

- Identification and prioritization of psychological and structural factors that act as barriers to crypto investments in India.
- Conducting primary survey analysis and hypothesis testing using responses of 147 Indian participants.
- Synthesizing insights by linking them with current trends in the international and Indian market landscape (2024–2026).
- Conducting fraud cases analysis and assessing its implications.

- Making data-driven recommendations for relevant stakeholders.

1.5 Factors Influencing Cryptocurrency Selection

For those who do decide to invest in cryptocurrency, choosing which asset to put money into is itself a complex, multi-layered decision. Understanding these factors helps explain both the appeal and the complexity that puts broader participation out of reach for many people:

- Market Capitalisation & Liquidity: Investors tend to gravitate toward assets with larger market caps – like Bitcoin and Ethereum – as a rough signal of stability and lower manipulation risk. High liquidity matters too, especially for institutional players who need to buy and sell without moving prices significantly.
- Technology & Innovation: The quality of the underlying blockchain, how scalable it is, how secure it has proven to be, and what the development roadmap looks like all affect investor confidence. Ethereum’s switch to Proof-of-Stake in 2022 – which cut energy use by 99.95% – is often cited as a major positive milestone.
- Use Case & Utility: Cryptocurrencies with clear, practical applications – in decentralised finance, cross-border payments, supply chain tracking, or NFT infrastructure – tend to attract sustained interest. Purely speculative tokens with no real-world use tend to collapse completely.
- Regulatory Environment: Whether an asset operates in a well-regulated jurisdiction directly affects how risky investors perceive it to be. An asset regulated under Singapore’s PSA or the EU’s MiCA feels much safer than one operating in a legal grey zone.
- Community & Adoption: A large, active developer and user base signals that a project is likely to stick around. People track social media activity, developer commits on GitHub, and the number of active wallet addresses to gauge ecosystem health.
- Security Track Record: Exchanges and protocols that have been hacked or exploited carry lasting reputational damage. Investors increasingly look for platforms with transparent audits, bug bounty programmes, and insurance funds.
- Price History & Technical Analysis: Many retail investors use chart patterns, moving averages, and indicators like the RSI to guide their decisions. Bitcoin’s four-year halving cycle has historically been a strong predictor of bull markets.

- Macroeconomic Correlation: Since 2021, Bitcoin has increasingly moved in tandem with the S&P 500 and gold, making broader economic factors – like interest rates, inflation, and geopolitical risk – increasingly relevant to crypto prices.

1.6 Types of Cryptocurrencies

1. Bitcoin and Layer-1 Protocols

Bitcoin (BTC), founded in January 2009, is the cornerstone of the whole cryptocurrency sector and serves as the yardstick for measuring the worth of any digital currency in the world. With a maximum supply of 21 million units (approximately 20 million of which are currently in circulation as of 2025), Bitcoin has been labeled as ‘digital gold’ – an asset with deflationary potential and censorship resistance. In April 2024, the halving process reduced the block reward from 6.25 BTC to 3.125 BTC, leading to the highest price level of USD 126,198 per coin in October 2025. Adoption by institutions has been on the rise, especially following the approval of spot Bitcoin ETFs in the United States in January 2024, attracting more than USD 175 billion worth of assets between Bitcoin and Ethereum ETPs.

2. Smart Contract Platforms (Ethereum & Competitors)

Founded in 2015 by Vitalik Buterin and others, Ethereum (ETH) is the largest smart contracts platform and the base of most decentralised applications (DApps). The transition from Proof of Work (The Merge, September 2022) marked an epoch-making technological breakthrough in terms of lowering the level of energy consumption to over 99.95% and enhancing the system's security at the same time. In May 2024, spot Ethereum ETFs received approval in the United States. In August 2025, the cryptocurrency broke its previous record by reaching its new historical peak around USD 4,954. Rival Layer-1 protocols, such as Solana (highly efficient), Cardano (scientific background), and Avalanche (subnet system), continue vying for market share.

3. Stablecoins

Stablecoins refer to digital assets that are pegged to a specific value or an underlying asset, such as the U.S. Dollar. Together, Tether (USDT) and USD Coin (USDC) make up 87% of the total supply of stablecoins, while the stablecoin market has surpassed USD 300 billion in 2025. Stablecoins have been responsible for 30% of crypto transactions made through the blockchain in

2025 and processed transactions valued at over USD 4 trillion, making them comparable to the Visa network in terms of transaction processing. Stablecoins have evolved to become used not only in crypto exchange but also in other aspects including cross-border remittances, hedge against inflation in emerging economies, DeFi borrowing and lending, as well as treasury management for firms.⁴

4. Altcoins, Forks, and Meme Coins

Altcoins is the umbrella term for everything beyond Bitcoin. This ranges from serious technical projects to purely community-driven tokens with no real utility. XRP (Ripple) is built for institutional cross-border payment settlement. Litecoin operates as a faster, lighter alternative to Bitcoin. Forks like Bitcoin Cash emerged from community disagreements over protocol direction. Meme coins – Dogecoin, Shiba Inu, and newer entrants – run largely on social sentiment and viral adoption. In 2025, Gemini found that 94% of meme coin owners also hold traditional cryptocurrencies, suggesting meme coins often serve as a first step into the broader ecosystem.

5. Privacy Coins

Privacy coins (Monero/XMR, Zcash/ZEC, Dash) use advanced cryptographic techniques – including zero-knowledge proofs, ring signatures, and stealth addresses – to provide a higher level of transaction anonymity than Bitcoin. While these serve genuine privacy needs (for example, protecting financial data in authoritarian countries), they face increasing regulatory pressure as governments crack down on money laundering. Several major exchanges have delisted them because of compliance concerns.

6. Utility Tokens, Governance Tokens, and DAOs

Utility tokens (like Binance Coin/BNB, Chainlink/LINK, and Uniswap/UNI) grant holders access to specific blockchain services – discounted trading fees, oracle data, or decentralised exchange liquidity. Governance tokens let holders vote on protocol upgrades, fee changes, and how a project's treasury is spent, all within Decentralised Autonomous Organisations (DAOs). This is a genuinely novel form of participatory economic governance with no real precedent in traditional finance.

7. Real-World Asset (RWA) Tokens

One of the fastest-growing segments of 2024–25, RWA tokens represent tokenised ownership of real-world assets – U.S. Treasuries, private credit, real estate, commodities, and even fine art – on

blockchain infrastructure. The total market for tokenised RWAs reached USD 30 billion in 2025, roughly four times what it was two years earlier. BlackRock, Franklin Templeton, and JPMorgan are among the traditional financial giants actively tokenising assets, signalling a real convergence between traditional and decentralised finance.

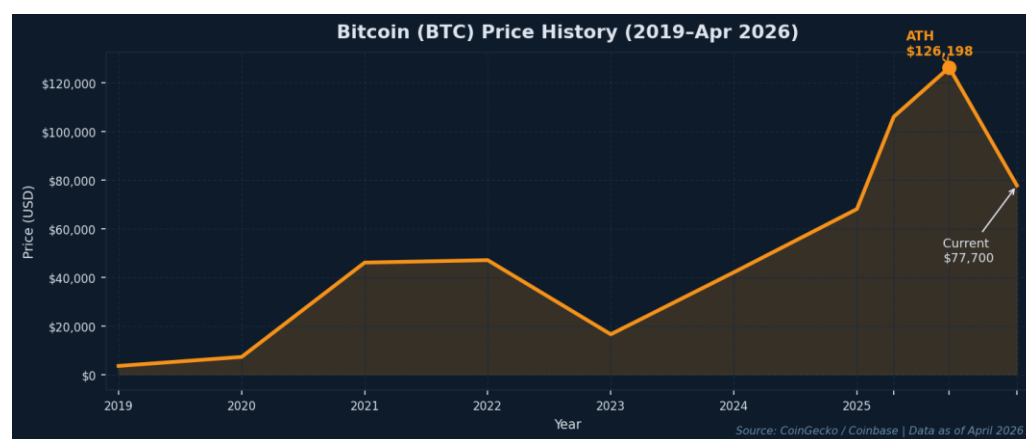
1.7 Top Cryptocurrencies with Price Charts (2019–2026)

The following sections summarise the historical price journeys of the five largest cryptocurrencies by market capitalisation, based on data compiled through April 2026. These stories visually capture what defines the crypto market: dramatic bull runs, sharp crashes, and a growing maturity among the most established assets.

Bitcoin (BTC) – Digital Gold

Bitcoin's price history is really a story about technological adoption, speculative cycles, and growing institutional recognition. Starting at around USD 3,500 at the beginning of 2019, Bitcoin survived the COVID crash of March 2020 (briefly falling to USD 4,000), then embarked on a historic rally fuelled by institutional buying from companies like MicroStrategy and Tesla, alongside the explosion of money supply during the pandemic. It peaked at USD 68,000 in November 2021, then fell sharply to USD 16,000 in the aftermath of the FTX collapse in late 2022. The approval of spot Bitcoin ETFs in January 2024 brought a new wave of institutional money, pushing Bitcoin to an all-time high of USD 126,198 in October 2025. As of April 2026, it trades at approximately USD 77,700, having pulled back from its peak amid macroeconomic uncertainty.

Figure 1.1 Bitcoin price chart

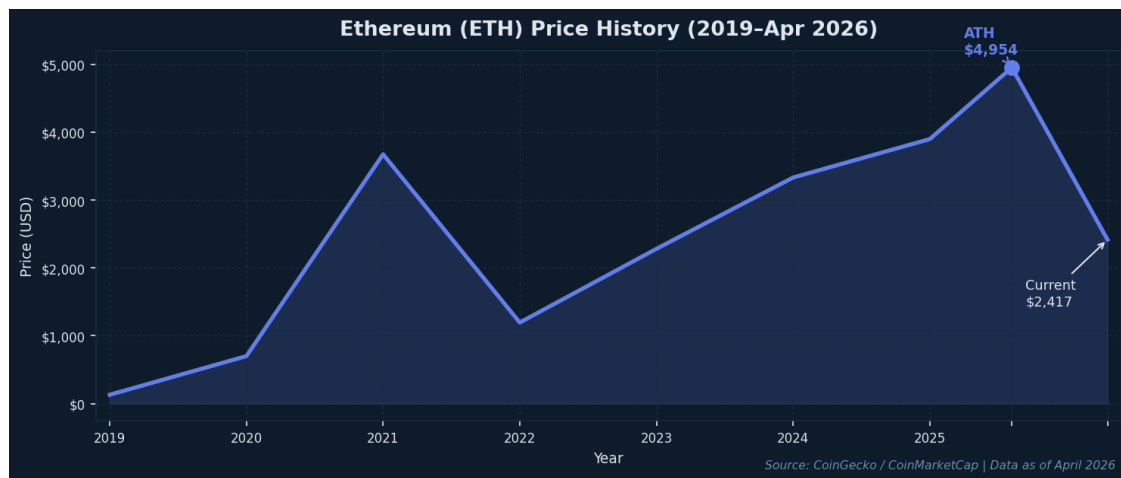


Source : Goggle Finance

Ethereum (ETH) – The World Computer

The pricing trend for Ethereum has been affected by the network's transition from a tool for developers to a financial system. While beginning at USD 130 in early 2020, the value of ETH grew to USD 4,867 by 2021, owing to the growth of decentralized finance (DeFi) and nonfungible tokens (NFTs). Following that, the decline continued to USD 880 in 2022, but recovery began in 2023–24 due to the launch of spot Ethereum ETFs approved in May 2024. In August 2025, Ethereum reached a new all-time high of USD 4,954, beating the previous record set in 2021 for the first time after four years. By April 2026, its price stands at around USD 2,417..

Figure1.2:Ethereum Price chart

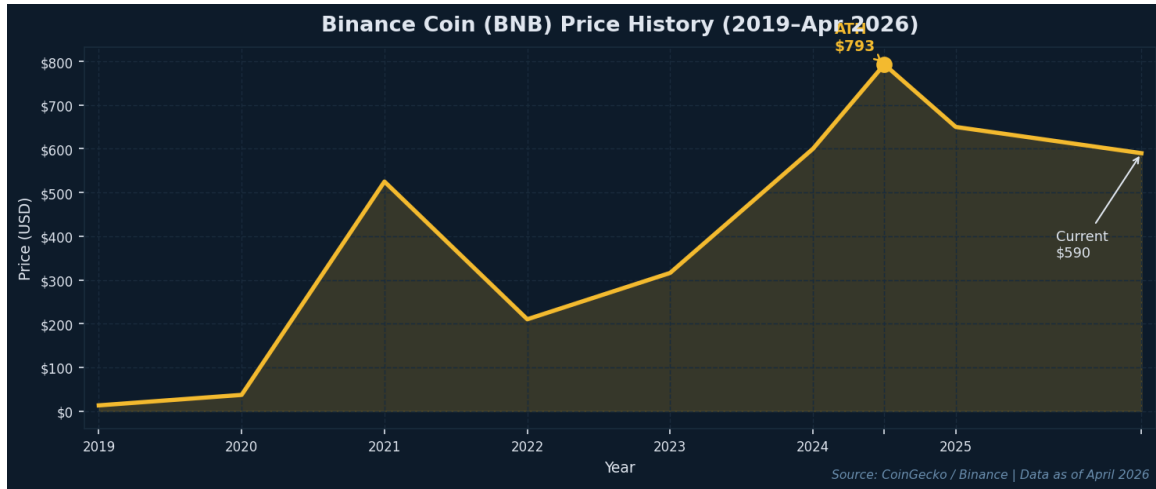


Source: Goggle Finance

BNB (Binance Coin) – Exchange Utility Token

BNB is a utility coin that came up in 2017 with the Binance Exchange. At first, it acted like a coin that offered discounts on Binance trading fees but later became the native token of the BNB Chain. The price of BNB has been increasing alongside the growth of the Binance exchange into the world's biggest crypto exchange platform. In 2019, BNB was valued at USD 13 but attained an all-time high of USD 793 in June 2024, due to the emergence of DeFi protocols in the BNB chain and Binance's rapid acquisition of users. The price of BNB in April 2026 is around USD 590.

Figure 1.3: Binance Coin price chart

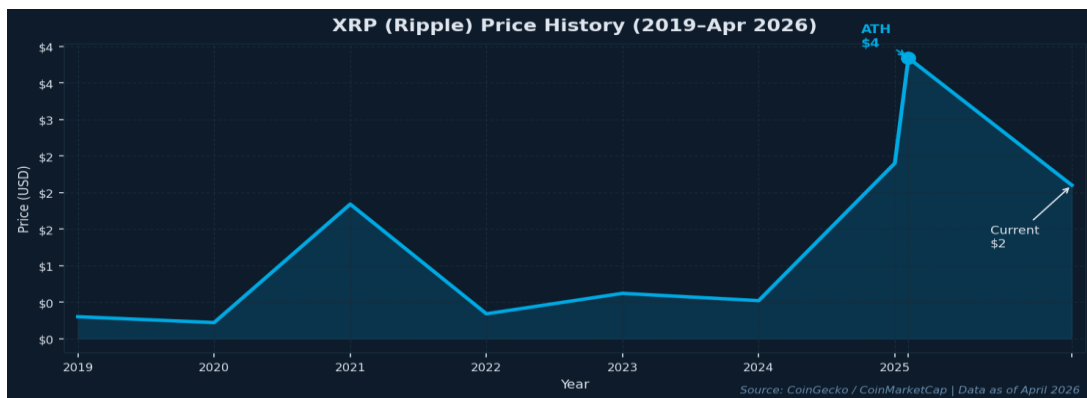


Source: Goggle Finance

XRP (Ripple) – Cross-Border Payment Settlement

However, XRP was developed by Ripple Labs to ensure quick and affordable cross-border transactions. XRP transactions take about 3–5 seconds and cost only fractions of a cent. Unlike other retail-focused cryptocurrencies, XRP is used for cross-border transactions by more than 300 financial institutions via RippleNet. The use of XRP was greatly depressed since 2020 when the SEC initiated the lawsuit against Ripple Labs. XRP's price recovered after the landmark court decision in July 2023 declaring XRP to be free from security laws. In the favorable environment for crypto in 2025, the price of XRP made an all-time peak of roughly USD 3.84 in January 2025. XRP currently sells for around USD 2.10.

Figure 1.4: XRP (ripple) Price chart

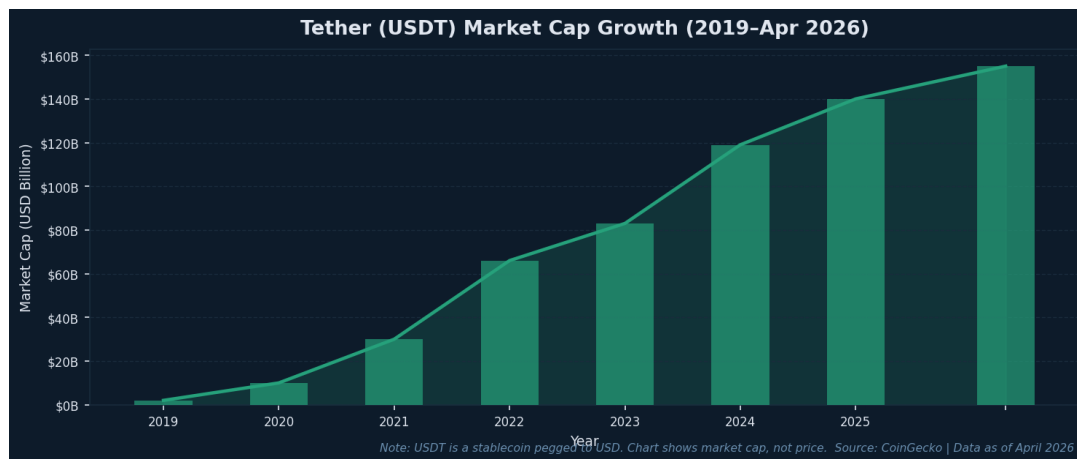


Source: Goggle Finance

Tether (USDT) – The Dominant Stablecoin

The USDT token is tied on a 1-for-1 basis to the U.S. dollar. This is achieved through dollar holdings and other assets maintained by the Tether Limited organization. Tether is unique among all other cryptocurrencies in that the token does not change in price; it regularly stays at USD 1.00. Tether tokens are not valuable because of their price but are crucial due to the extremely high importance as the main unit of exchange and measure of value in the crypto environment. In contrast to price analysis, Tether's growth in market capitalization is more significant: from USD 2 billion in 2019 to around USD 155 billion as of April 2026, which can be seen as explosive adoption.

Figure 1.5: Tether Price chart



Source: Goggle Finance

1.8 Why People Invest in Cryptocurrency

Understanding why people choose to invest in crypto is important context for understanding why others don't. The gap between those who invest and those who avoid it often comes down to information, trust, and access – not a fundamental disagreement about whether the asset class has potential. Key motivations include:

- **Return Potential & Wealth Creation:** Cryptocurrencies have historically delivered returns that leave traditional asset classes in the dust. Bitcoin, for example, generated returns of over 200% in 2023 alone and kept climbing through 2024–25. For investors looking for high-growth opportunities outside conventional markets, this is a compelling case. Our

survey confirms it: 62.5% of respondents cited ‘potential for high returns’ as their primary consideration.

- Inflation Hedge & Currency Devaluation Protection: In countries where currency weakness or high inflation is a real concern, Bitcoin and dollar-pegged stablecoins offer a way to preserve value outside the domestic monetary system. In 2025, 39% of U.S. crypto investors said they used crypto specifically to hedge against inflation – up from 32% the previous year.
- Remittance Efficiency: India is the world’s largest recipient of international remittances. Traditional wire transfers cost 5–10% in fees and can take 3–5 business days. Crypto transfers can be done in seconds at a tiny fraction of the cost, making them especially attractive for migrant workers and the diaspora.
- Decentralisation & Financial Sovereignty: For people in regions with unreliable or untrustworthy banking systems, crypto offers financial autonomy – the ability to hold and move money without depending on any institution. This appeals strongly to privacy-conscious individuals and those in underserved communities.
- Technological Fascination & Innovation Investing: Many investors are simply drawn to the transformative potential of blockchain technology, viewing it as similar to investing in early internet companies. DeFi, NFTs, DAOs, and RWA tokenisation all represent real new industries being built on blockchain.
- Institutional Momentum & Social Proof: When BlackRock, Fidelity, JPMorgan, PayPal, and Visa all get seriously involved in cryptocurrency, it sends a powerful signal to retail investors that digital assets are legitimate. Institutional credibility meaningfully shifts how ordinary people perceive the risk.
- Portfolio Diversification: Because crypto has historically had a low correlation with stocks and bonds, it has offered genuine diversification benefits. As traditional asset classes become more globally correlated, genuinely uncorrelated assets become more valuable.

1.9 Cryptocurrency vs. Other Financial Instruments

To really understand why people hesitate to invest in crypto, it helps to compare it directly with more familiar options:

Table 1.1 Comparison Between Crypto, equity, FD and GOLD

Factor	Cryptocurrency	Equity (Stocks)	Fixed Deposits	Gold
Volatility	Very High (50–80% drawdowns possible)	Moderate (NIFTY ~20% max annual drop)	None (fixed rate)	Low (5–15% annual range)
Regulatory Clarity	Evolving/Partial (India: VDA framework)	Very High (SEBI regulated)	Very High (RBI regulated)	High (SEBI regulated)
Potential Returns	Very High (100%+ in bull years)	Moderate-High (12–15% CAGR)	Low (6–7.5% p.a.)	Moderate (8–12% p.a.)
Tax Treatment (India)	30% flat + 1% TDS, no loss offset	STCG 15% / LTCG 10% with indexation	As per income slab	LTCG 20% with indexation
Liquidity	Very High (24/7)	High (market hours)	Low (lock-in period)	High (can sell anytime)
Safety Net / Insurance	None	SEBI investor protection fund	DICGC covers up to INR 5 lakh	No insurance needed (physical/ETF)

Factor	Cryptocurrency	Equity (Stocks)	Fixed Deposits	Gold
Accessibility	Very High (no minimum)	Moderate (demat account needed)	Universal	Moderate (Sovereign Gold Bonds easy)
Counterparty Risk	Medium-High (exchange hacks, rug pulls)	Low (SEBI oversight)	Very Low (bank guarantee)	Very Low (physical/sovereign)

1.10 The Global Cryptocurrency Market (2024–2026)

Between 2024 and 2026, there has been no more important time in the history of cryptocurrency than that period. Institutionalization hit record levels, significant regulations were implemented in the major jurisdictions, and stablecoin technologies developed to become a true worldwide payment system.

Major developments that occurred over this timeframe were: the approval of the spot Bitcoin ETFs in the United States in January 2024 (becoming the fastest growing ETFs in history in terms of capital inflows); the approval of the spot Ethereum ETFs in May 2024; the implementation of the U.S. GENIUS Act for the stablecoin framework in July 2025; the complete enforcement of the MiCA regulation in the EU across all 27 member states; and finally, the creation of the U.S. Strategic Bitcoin Reserve.

1.11 India’s Regulatory Landscape

India’s approach to cryptocurrency has been one of cautious, incremental progress – gradually increasing oversight without ever committing to a comprehensive legal framework. This ambiguity has been identified in this study, and in the broader literature, as the single greatest obstacle to wider Indian adoption.

Table 1.2 Development Year on year

Year	Development	Impact on Investors
2018	RBI circular restricting banks from crypto services	Industry effectively shut down; significant investor anxiety
2020	Supreme Court overturns RBI circular (landmark ruling)	Exchanges reopen; banking services restored; sentiment improves
2022	30% flat tax + 1% TDS on VDA transactions introduced	Domestic trading volumes drop sharply; investors migrate to offshore platforms
2022	PMLA extended to cover crypto exchanges	Mandatory KYC/AML compliance; FIU-IND registration required for exchanges
2022–24	RBI's Digital Rupee (e-Rupee) CBDC pilot expanded	Government signals preference for centralised digital currency over decentralised crypto
Jan 2025	Delhi HC seeks responses from RBI, SEBI, MoF on VDA regulation	Signals judicial pressure for regulatory clarity; ongoing review
2025	COINS Act proposed: CARA, asset classification, exchange licensing	If passed: major step toward regulatory certainty; aligns with global frameworks
Sep 2025	Reuters reports government document: RBI opposes formal crypto law	Regulatory uncertainty deepens; RBI fears legitimising crypto as systemic risk
2026	Union Budget 2026: stricter reporting standards, penalties from April 2026	Increased compliance burden; signals continued cautious oversight approach

Current Legal Status (2026): Cryptocurrencies are legal to buy, sell, and hold in India as Virtual Digital Assets (VDAs). They are NOT legal tender. There is NO single comprehensive crypto law. Gains are taxed at 30% flat + 1% TDS. Exchanges must be registered with FIU-IND. The proposed COINS Act 2025 and CARA body, if enacted, would be transformative.

1.12 Global Regulatory Comparisons

An analysis of the regulatory framework adopted by other nations in respect of cryptos makes it evident that the more transparent a nation is, the greater the confidence and adoption of cryptocurrencies becomes. Here are some noteworthy instances:

- United States: The introduction of Bitcoin spot ETFs in January 2024 was a defining point regarding institutional engagement with cryptocurrencies. The GENIUS Act in July 2025 saw the creation of the first national policy regulating stablecoins. During the Trump presidency, the SEC began taking an innovator-friendly approach, and the United States created its own Strategic Bitcoin Reserve. Cryptocurrency trading activities in the U.S. shot up by 50 percent in H1 2025 compared to H1 2024, making it the largest cryptocurrency market globally.
- European Union: The MiCA regulatory framework, which is the most comprehensive crypto legislation in the world, became fully operational in 2024 and applies uniformly to all 27 member countries of the European Union. The MiCA regulation ensures transparency, consumer protection, and anti-money laundering requirements.
- Singapore: According to the Monetary Authority of Singapore Payment Services Act, there is need for licensing and adherence to AML/KYC compliance for crypto exchanges. The straightforward approach of having regulations that promote the use of cryptocurrencies in businesses makes Singapore a center for cryptocurrencies.
- Switzerland (Crypto Valley): The canton of Zug hosts hundreds of blockchain startups thanks to favourable regulation, clear tax guidance, and institutional support. FINMA's licensing framework has attracted over CHF 6 billion in blockchain investment.

- Japan: One of the first countries to legally recognise Bitcoin as a payment method (2017). The Financial Services Agency licenses and supervises crypto exchanges with strict consumer protection standards. This clarity has produced one of the world's most sophisticated retail crypto markets.
- China: Maintains a comprehensive ban on crypto trading and mining, while simultaneously developing its own digital yuan (e-CNY) CBDC. Despite the ban, roughly 10 million Chinese citizens continue to hold crypto through decentralised platforms.

1.13 Cryptocurrency Risks

A fair assessment of cryptocurrency requires being honest about its risks – many of which are directly responsible for the avoidance behaviour this study documents:

- Price Volatility: There have been instances where the value of cryptocurrencies has dropped by 50 to 80 percent of their highest value levels. In Bitcoin's case, there was a fall from US\$69,000 (in November 2021) to US\$16,000 (in November 2022), representing an almost 77 percent fall following the FTX disaster. Even in 2025, Bitcoin saw a decrease from its ATH of US\$126,198 to about US\$77,700 in April 2026 – a 38 percent reduction
- Regulatory Risk: Policy shifts can have immediate and dramatic effects on crypto values. India's 30% tax announcement in 2022 caused domestic trading volumes to collapse. China's mining ban in 2021 temporarily pushed Bitcoin's price down by 50%.
- Security Vulnerabilities: Exchange hacks, smart contract exploits, and phishing attacks remain real and persistent threats. Unlike bank deposits, crypto holdings carry no insurance equivalent. Losing your private keys means permanent, irreversible loss of assets.
- Fraud and Scam Risk: The crypto space is disproportionately targeted by fraudsters. Pig butchering scams, fake investment platforms, and Ponzi schemes have defrauded investors of billions worldwide. Chapter 4 covers three detailed real-world cases.
- Market Manipulation: Thin liquidity in smaller tokens makes them easy targets for pump-and-dump schemes. Coordinated manipulation through social media and Telegram groups can create artificial price movements that trap retail investors.

- Environmental Concerns: Bitcoin's Proof-of-Work mining consumes significant energy – comparable to the annual electricity use of some mid-sized countries. While Ethereum's switch to Proof-of-Stake dramatically cut its carbon footprint, Bitcoin mining remains energy-intensive and continues to draw ESG criticism.
- Tax and Compliance Complexity: India's 30% flat tax with no provision for offsetting losses across different VDAs, combined with 1% TDS, creates significant friction for active traders and can effectively double-tax many transactions. Union Budget 2026 compliance requirements add further administrative burden.

1.14 General Perspective of Indian Public Toward Cryptocurrency

How Indians think about cryptocurrency varies enormously depending on age, education, media exposure, and personal experience with financial markets. The following broad segments capture the Indian crypto audience:

- **Tech-Savvy Youth (18–30)**: India's 650+ million internet users, the majority of whom are under 30, form the most enthusiastic crypto cohort. They view cryptocurrency as a path to financial empowerment, wealth creation, and participation in the global digital economy. Platforms like Twitter/X, Telegram, and YouTube are their primary information sources.
- **Conservative Middle-Class Savers (30–55)**: This group – typically salaried professionals with mortgages, family responsibilities, and cautious financial instincts – tends to stick with Fixed Deposits, PPF, and mutual funds. Crypto's volatility, tax treatment, and association with scams make it a hard sell for this segment. It is the core focus of avoidance research.
- **Traders and Speculators**: A sophisticated subset actively trades cryptocurrencies for profit, using technical analysis, market news, and arbitrage opportunities. This group is disproportionately represented in exchange user data.
- **Remittance-Dependent Communities**: The Indian diaspora and migrant worker communities are pragmatic crypto adopters, primarily using stablecoins and exchanges for affordable, fast money transfers.

- Sceptics and Non-Participants: A significant segment – particularly older, less digitally literate, and rural populations – remains either sceptical or uninformed. For this group, crypto is associated with fraud, gambling, and financial danger rather than opportunity.

India's 30% tax rate with no ability to offset losses has caused serious frustration among active traders, with multiple industry surveys indicating that domestic volumes dropped by 50–70% after the 2022 tax changes, with much of that activity migrating to offshore platforms. This tax-driven avoidance is a policy failure that reduces government revenue while pushing activity into less regulated, less transparent environments.

Chapter 2: Literature Review

This chapter brings together existing academic and industry research on cryptocurrency adoption, avoidance, and investor behaviour. The review is organised by theme and draws on both peer-reviewed academic studies and the most current industry research from 2024–25.

2.1 Perceived Risk, Value, and Adoption (Pre- and Post-Adoption Behaviour)

Authors: Dehghani, Karavidas, Rese & Acikgoz | Year: 2023

In a seminal research by Dehghani, Karavidas, Rese & Acikgoz (Emerald Insights), 480 participants who invested in cryptocurrencies were investigated in Germany through ML-SEM approach. In this two-stage analysis, both adoption intention of the first stage (among 179 possible adopters) and continuance use of the second stage (among 301 actual adopters) were examined. It was found that perceived value (which included usefulness, enjoyment, and social image) had positive and significant impact on both adoption and continuance decisions. Notably, the greatest obstacle to adoption was volatility perception and financial risk aversion, which turned out to be stronger than technical complexity and social pressure.

Use of ML-SEM enabled simultaneous testing of measurement models and structural models, thus yielding strong support. Logistic regression was additionally applied to find the predominant adoption pattern (investment storage vs. payment means) for various coins. This major finding – high volatility is the major barrier – has been empirically confirmed in our survey, where 78.8% of investors found price stability 'very important' when making an investment decision.

2.2 Loss-Chasing Behaviour and Realization Effects in Crypto Markets

Authors: Nakavachara, Ratanabanchuen, Saengchote, Amonthumniyom, Parinyavuttichai & Vinaibodee | Year: 2023

Drawing upon two concepts from behavioral finance, Nakavachara, Ratanabanchuen, Saengchote et al. (Elsevier) examine the behavioral pattern associated with cryptocurrency investment. The first concept pertains to loss chasing from the gambling literature, whereby investors are known to place higher bets after losing in an attempt to make up for their losses; doing so usually increases

the loss. The second concept is known as the realization effect, which attempts to identify the impacts of realized and unrealized gains and losses on future risk taking behaviors.

Based on monthly portfolio volatility with a first difference regression analysis, the researchers have found evidence of loss chasing in crypto investors, whose behavior is deemed irrational from an economic standpoint but rational under prospect theory. That is, losses are perceived more strongly than gains of the same magnitude. Investor protection thus becomes a matter of concern. Novice investors in the cryptomarkets during bull markets tend to be extremely susceptible to behavioral traps that lead to greater losses.

2.3 Cryptocurrency Trading as a Behavioural Addiction

Authors: Delfabbro, King & Williams | Year: 2021

In their article "A Cryptocurrency Trading Model for Assessing Psychological Vulnerability to Addiction", Delfabbro, King & Williams (Journal of Behavioural Addictions) suggest that cryptocurrency trading entails a unique type of addiction compared to gambling and investment behavior. Several factors contributing to the vulnerability of traders in the cryptocurrency trading space include the round-the-clock market availability, high volatility, fear of missing out (FOMO) due to social media bubbles as well as leveraging and higher gains/losses.

The listed psychological factors that are related to the risk of addiction include overconfidence in one's skills ("hot hand" phenomenon), obsession with market trends, anticipatory regrets and impulsivity. The researchers emphasize that new investors attracted by social media marketing hype during specific bullish cycles, for instance, in 2020-2021 and in 2024-2025, are particularly at risk of becoming addicted. The recommendations proposed by the researchers include targeted educational efforts aimed at investors, utilizing cooling-off periods and voluntary self-exclusions.

Considering the issue of avoidance, the findings presented above reveal an interesting paradox when some people might be completely aware of the risk of getting addicted while choosing not to trade cryptocurrencies exactly because of that fact, being potentially prone to gambling or any impulsive decisions in finances.

2.4 Probability of Bankruptcy: Monte Carlo Analysis

Authors: Kozlovskiy, Petrunenko, Mazur, Butenko & Ivanyuta | Year: 2023

One of the more robust quantitative studies on the risks of cryptocurrency investment is presented by Kozlovskiy, Petrunenko, Mazur, Butenko & Ivanyuta (Investment Management and Financial Innovations), which employs the technique of Monte Carlo simulation to measure the probability of investor bankruptcy for the period September 2014-July 2022.

The probability of bankruptcy in case of a short-term investment is calculated as 17-23%, while the probability of bankruptcy in case of long-term investing is estimated as 13-16%. These are quite large numbers – an investor can expect to lose 13-23% of his/her investments in case he/she invests in cryptocurrencies. Such probabilities represent too much of a risk to be compared to other types of investment assets.

Interestingly enough, it has been found that a long investment period with alternating periods of long and short investments represents the best strategy in terms of risk management. This finding is opposite to the prevailing view on the issue of short-term versus long-term cryptocurrency investments. It has important practical significance in regard to Indian investors since they have to pay a flat rate of 30% on profits without loss offset.

2.5 Institutional Adoption and Regulatory Clarity as Confidence Drivers (2024–2025)

The two strongest forces driving retail participation identified in industry studies 2024-25 include regulation and entry. According to the 2025 Global State of Crypto Report by Gemini (which surveyed 7,205 individuals in six countries), 23% of US respondents who did not own cryptocurrency mentioned that the creation of Strategic Bitcoin Reserve has made them more confident about its value. The TRM Labs 2025 Crypto Adoption Report notes a 125% growth in retail transactions involving cryptocurrency between September 2024 and September 2025 due to the impact of regulations and stablecoin utility adoption.

The main indicators of ‘mainstream arrival’, according to the 2025 Crypto State of Crypto report by a16z, include traditional financial incumbents providing cryptocurrencies-related services (Visa, BlackRock, JPMorgan); processing capacity of 3,400+ TPS; USD 46 trillion per year settlements for stablecoins; USD 175 billion-plus of crypto ETPs; and tokenisation of RWAs for a total market capitalisation of USD 30 billion. In combination, these data points illustrate the emergence of an ecosystem that has evolved past the experimental phase and became functional infrastructure.

2.6 India-Specific Literature

Indian crypto behavior research always points out three distinct characteristics in India: firstly, the deterrent impact of the 30% tax and 1% TDS has been cited by many industry reports to be responsible for a 50-70% drop in trading volumes after 2022; secondly, the importance of social relations in decision-making in investment (consistent with India’s collectivist culture) implies that any fraud case involving members of one’s own social network may significantly affect the willingness to invest; and thirdly, digital exclusion implies that, while India has very high levels of smartphone usage among the urban population, significant disparities of knowledge exist between urban/rural and educated/uneducated Indians.

The COINS Act 2025 and the potential formation of CARA have been identified by most studies as the most significant measures in increasing Indian crypto engagement in the upcoming period. In this context, Chambers and Partners’ 2025 Blockchain India Guide states that participation in international forums by India (G20 crypto working group, OECD CARF alignment) indicates India's intention to adhere to international practices, not isolationism.

2.7 Technology Acceptance Model (TAM) and Cryptocurrency Adoption Intention

Authors: Arias-Oliva, Pelégrín-Borondo & Matías-Clavero (2019)

The study employed the TAM to investigate the adoption of cryptocurrencies among 400+ individuals. Perceived usefulness, or the view that using the crypto currency would actually bring about positive financial outcomes, was the most critical factor determining adoption intentions, with perceived ease of use coming second. It was affirmed by the study that there exists the technical difficulty involved in operating the wallet, using the private keys, and using the trading platforms, thus making it a challenge. Subjective norms were found to have a considerable influence on adoption intentions, more so, amongst older participants. This is because, in India,

which is a collectivist society, many financial decisions are influenced by what others within their social circles believe. Hence, should influential people within one's social circle perceive cryptocurrency as being fraudulent, then chances are high that such views would shape adoption intentions.

2.8 Gender Differences in Cryptocurrency Investment Behaviour

Authors: Fursov, Vovchenko & Tishchenko (2022)

Using survey results from over 600 respondents, the findings showed that men were more inclined to participate in cryptocurrency investments, had bigger stakes and engaged in speculative trading. Women had a greater preference for regulated financial instruments, predictable profits, and feared fraud schemes and low knowledge. In the case of India, with relatively low financial literacy among women compared to their male counterparts and conservative investment attitude, the results indicated that cryptocurrency websites should be designed taking women into account. This would mean offering products and information focusing on securing oneself against any losses or fraud. When investing, women invested only in large-cap cryptocurrencies such as Bitcoin and Ethereum that could never completely crash.

2.9 The Role of Financial Literacy in Cryptocurrency Investment Decisions

Authors: Lusardi & Mitchell (2014); Chen & Volpe

All of these basic studies on financial literacy, when applied to the crypto arena by later researchers, have always proven that the divide between people who invest in newer financial products and those who don't is essentially one based on lack of education. The fact was that financially literate people – who knew about the basics like compound interest, diversification, and risks-versus-reward – were more willing to invest in cryptocurrency, as well as more sensible in how they managed their portfolio. On the other hand, those with lower financial literacy not only invested less but were also easily fooled by scams. In the case of India, even though there has been financial inclusion due to schemes such as Jan Dhan Yojana, there still seems to be financial illiteracy in terms of newer products.

2.10 Trust, Institutional Credibility, and Decentralised Finance Adoption

Authors: Sas & Khairuddin (2017)

In this qualitative research conducted with deep interviews from cryptocurrency users and non-users, we observed that trust exists at three levels within crypto currency transactions – technical trust (trust in the Blockchain system itself), platform trust (trust in a particular exchange site or virtual wallet), and institutional trust (trust that an institution exists to provide help and oversight in case something goes awry). Institutional trust was cited by all the non-users as a reason for avoiding crypto altogether. Cryptocurrency is not like a traditional bank deposit that has an established regulatory framework to help you recoup any losses that might be incurred. This corresponds well with the fact that 96.9% of our survey respondents gave significance to regulation and security protocols.

2.11 Media Framing Effects on Cryptocurrency Investment Sentiment

Authors: Ante, Fiedler & Strehle (2021)

Analysis done via NLP of thousands of news articles related to Bitcoin and Ethereum showed that there is a statistically significant effect of negative media sentiment on the level of retail investor involvement. As long as media highlights crashes, scams, or crackdowns on the crypto sector, less people will be searching for ways to buy crypto. It shows that media does indeed suppress adoption among marginal investors by framing crypto in an inappropriate manner. This is relevant to India since 89.2% of those who participated in our survey admitted that they use media as a tool for learning about cryptocurrencies. In particular, financial media in India has traditionally highlighted crypto-related crashes and scams, creating an impression that there is something fundamentally dangerous about them.

2.12 Prospect Theory and Asymmetric Risk Perception in Crypto Markets

Authors: Barberis (2013); Sonsino & Regev (2022)

Extending from the work of Kahneman & Tversky on the theory of prospect, these studies incorporated behavioural economics into the realm of crypto investments. As per the prospect theory, people are inclined to perceive losses more strongly than equivalent gains due to the loss aversion phenomenon. Thus, for crypto investments, an investor would be impacted much more severely when he/she had purchased at the peak and observed the decline in the price of the asset than if he/she had purchased at the bottom of the price and seen its equivalent rise. From the perspective of non-investors, this explains the reason why 23.4% respondents are concerned about the possibility of loss even when there is considerable scope of returns (62.5%).

2.13 The Impact of Cryptocurrency Taxation on Market Participation

Authors: Cheng, Riordan & Ye (2023)

This empirical analysis employed transactional data spanning several jurisdictions prior to and following a tax policy change to determine the influence of crypto-specific taxation regimes on retail involvement. Higher taxes coupled with increased complexity in administration negatively impacted retail trading volumes, especially that of small and medium investors. Larger institutional entities were able to adapt to these changes by using tax experts and more complex setups. There was an established ‘chilling effect’ of transactional taxes, such as India’s 1% TDS, which causes friction at each and every transaction and not just profit taking, thereby affecting those who are actively involved in trading and providing liquidity. The Indian 30% flat tax with no deduction for losses on VDAs is amongst the most stringent crypto taxation regimes in the world. Multiple industry surveys have reported a drop in trading volumes between 50% and 70% due to the 2022 tax change, leading to trading migrating overseas.

2.14 Herding Behaviour and Social Influence in Cryptocurrency Markets

Authors: Bouri, Gupta, Tiwari & Roubaud (2017)

Based on return dispersions in a set of various cryptocurrencies through different market periods, herding was established with a high degree of evidence as people tend to copy others' actions and not engage in independent analysis. Herding is particularly evident in the case of extreme market fluctuations. When there are rallies, people enter in order to profit from FOMO; however, in the event of market crashes, panic sales make the market fall way below its fair value. It means that in the case of avoidance behaviour, this point is especially important as the presence of panic selling can be confirmed by intensive news coverage, social media panic, and the visibility of a herd running out of the market. At the same time, herding can lead to the entrance of untimely entrants into the market that will lose much money and become crypto skeptics afterwards.

2.15 Cybersecurity Risks and Their Effect on Retail Investor Confidence

Authors: Corbet, Meegan, Larkin, Lucey & Yarovaya (2018)

After analysing the price and volume figures in relation to several prominent exchange hacks such as Mt. Gox, Coincheck and Bitfinex, this study concluded that prominent security breach instances lead to abnormal negative returns and volumes even across the entirety of the cryptocurrency market. The study refers to this phenomenon as the 'contagion effect' caused by security breaches. With regard to Indian investors, this is significant due to the WazirX hack that occurred in the year 2024 wherein about USD 235 million worth of investor funds was stolen. Such an incident was noticed by the 89.2% of potential Indian crypto investors who depend on media for their crypto investment decisions. It proved to them conclusively that cryptocurrencies were completely unsafe.

2.16 Environmental Concerns as a Barrier Among ESG-Conscious Investors

Journal: Scientific Reports | Authors: Goodkind, Jones & Berrens (2020)

The cost of the pollution caused per unit of value generated from Bitcoin was estimated to be about USD 0.49. This makes it about as damaging to the environment as the production of beef and the drilling of crude oil. Bitcoin's energy consumption was estimated at the time of writing this paper to be equivalent to that used by entire mid-sized nations annually. Since then, however, there has been an enormous shift in favor of renewable energy sources (approximately 50% to 60%

renewables in Bitcoin mining operations by 2025). Nevertheless, the damage perception of Bitcoin mining has stuck, despite the reality having changed somewhat. In India, where environmental social governance (ESG) investments have been on the rise among millennials and Gen Z investors, the environmental aspect is a real hindrance to crypto adoption among individuals who are otherwise enthusiastic about innovation in the space.

2.17 Stablecoin Adoption as a Gateway to Broader Cryptocurrency Participation

Authors: Catalini & Massari (2021)

This research posited, and proved empirically, that the usage of stablecoins can serve to function as a bridging asset, facilitating the entry of risk-averse individuals into the world of cryptocurrencies as a whole. Stablecoins combine the benefits of blockchains – speed, programmability, lack of borders – with the absence of price volatility, which has historically constituted the major deterrent to potential users of cryptos. The bridge effect has grown immensely powerful, and there is a noticeable correlation between the countries where stablecoins are used extensively, such as Latin American and Southeast Asian remittance hubs, and increased ownership of cryptocurrencies as a whole. For India, which receives more remittances from abroad than any other nation in the world, this has major practical implications. Accessible and regulated remittances in the form of USDT or USDC, combined with partnerships with remittance platforms such as Razorpay and PhonePe, would ensure that crypto knowledge spreads throughout society.

2.18 Decentralised Finance (DeFi) and the Democratisation of Financial Services

Authors: Zetzsche, Arner & Buckley (2020)

The legal and economic review of DeFi highlighted its promise and risks for retail consumers. On one hand, the concept of DeFi itself is revolutionary by giving access to financial services without geographical restrictions to any consumer having Internet connectivity. In reality, DeFi has seen many bugs in smart contracts resulting in losses of over hundreds of millions of dollars. Moreover, the lack of any requirements about users' identification brings many risks to consumers regarding their protection. Hence, it becomes clear that there is a certain regulatory dilemma where applying conventional regulation might undermine the revolutionary nature of DeFi through eliminating the

permissionless and composable character of DeFi transactions. Not regulating DeFi brings considerable risks for retail consumers, as well. In regard to this research, DeFi demonstrates a certain aspect that it is crucial to differentiate between risks of speculative trading of altcoins or yield farming within DeFi protocols and simply keeping the assets in a regulated crypto exchange for Bitcoin..

2.19 The Influence of FOMO (Fear of Missing Out) on Cryptocurrency Investment Cycles

Authors: Smales (2022)

Based on analysis of Google search trends, social media interactions, and blockchain transactions for several market cycles from 2015 to 2022, it was observed that spikes in price lead to FOMO-induced influx of new investors who usually join near the top. An overwhelming number of those investors who joined in 2017 and 2020-21 cycles ended up making losses, thus resulting in many previous participants of cryptocurrency markets who are disillusioned about investing in cryptocurrency as they see the entire asset class as a losing proposition. In the Indian context, it means that there is a sizable group of individuals who invested in cryptocurrencies when the price spiked in 2021, made losses in 2022, and have become sceptical about cryptocurrency investments. To reach out to such people, a completely different strategy needs to be employed since talking to first-time investors will not help here.

2.20 Regulatory Sandboxes and Their Effect on Fintech and Crypto Innovation

Authors: Bromberg, Godwin & Harvey (2017); Cambridge Centre for Alternative Finance

In this research paper, regulatory sandboxes, which refer to a safe space for fintech and cryptocurrency firms to conduct product trials in an environment characterized by more lenient regulatory standards, were analyzed as a means of achieving an equilibrium between innovation and regulation. Countries that had regulatory sandboxes such as the UK Financial Conduct Authority Sandbox, Singapore Monetary Authority Sandbox, and the Abu Dhabi Global Market RegLab registered much higher levels of innovation in cryptocurrency when compared to those that had strict regulations or no regulations at all. India has adopted innovation sandbox policies both through the RBI and SEBI, although the same cannot be said about cryptocurrency regulation. India has a vast pool of technological and financial talents and is willing to venture into the space

of Web3 innovation. Hence, a crypto regulatory sandbox would be very beneficial for India on multiple fronts.

2.21 The Role of Blockchain Transparency in Building Investor Trust

Author: Yermack (2017)

In this pioneering and rigorous analysis on the impact of blockchain technology on corporate governance, it was proposed that blockchain's immutability and visibility regarding transactional history could be a better way of protecting investors than the current centralized methods. Subsequent research revealed that the transparency provided by blockchain technology cannot always be capitalized upon in practice. This is because retail investors do not possess the necessary skills required to understand blockchains, and in any case, activities performed off-chain (such as fund management and fractional reserve banking) may not be visible on the blockchain. This became painfully evident following the implosion of FTX during 2022, which led to billions of dollars being stolen from investors without leaving any on-chain trace. For investors, the lesson is clear – the transparency advantage offered by blockchain needs to be accessible through proof of reserves, auditing, and regulatory disclosure.

2.22 Cross-Generational Differences in Cryptocurrency Adoption Attitudes

Authors: Pilkington (2016); Deloitte Research

It was found that there are clear generational divides in the attitudes towards cryptocurrency not only due to differences in risk-taking but because each generation has an inherently different attitude to money and institutions. For example, the two generations that experienced the 2008 Global Financial Crisis – the Millennials and Gen-Z – are far more distrusting towards conventional financial services and open to adopting decentralised ones. In Deloitte's survey, 76% of millennials stated that traditional financial services are outdated while only 38% of baby boomers share the same opinion. As can be understood from this, people who have formed their attitude towards money within the context of banking systems, see lack of regulatory framework as a negative element rather than an advantage. It is evident that such a generational divide exists in India as well and hence there will need to be vastly different messaging approaches.

2.23 Information Asymmetry and Retail Investor Disadvantage in Crypto Markets

Authors: Foley, Karlsen & Putniņš (2019)

While this seminal study examined the data of Bitcoin transactions to arrive at a proportion of illegal activity in these transactions, one important point came up regarding information asymmetry – information that the sophisticated players (exchanges, whales or large holders, institutional investors) have is not accessible to retail investors. Since large holders can make moves that manipulate the market due to their ability to either buy or sell collectively and since there are no laws around insider trading in cryptocurrencies like in equities, what may be manipulation in equity markets is not explicitly illegal in crypto markets. This is a real issue for risk-averse Indian retail investors who might have been exposed to such issues before. It calls for regulation and better information access tools for retail investors. CARA under COINS Act 2025 will be equipped to handle several such issues.

Chapter 3: Research Methodology & Survey Analysis

3.1 Research Design and Methodology

This study uses a mixed-method descriptive design, combining a structured survey (primary data) with secondary data analysis and qualitative case review. The design captures both measurable patterns and the contextual factors behind people's attitudes toward cryptocurrency investment.

Primary Data:

A 12-question questionnaire covering demographics, awareness, investment intent, risk perception, regulatory attitudes, and media influence distributed via Google Forms

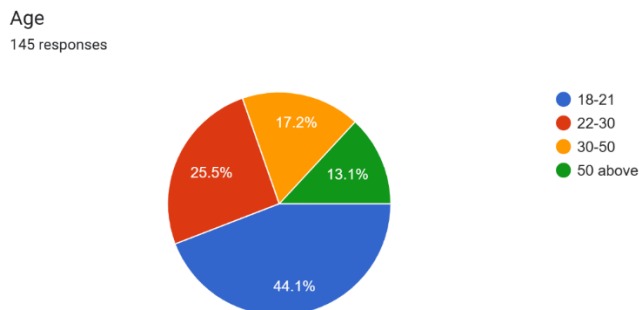
Secondary Data:

Supporting data was sourced from Chainalysis (2025 Global Crypto Adoption Index), Gemini (2025 Global State of Crypto), TRM Labs, a16z Crypto, IMF Crypto Assets Monitor Q3 2025, CoinGecko, and regulatory documents from SEBI, RBI, and the Ministry of Finance, India.

Sampling:

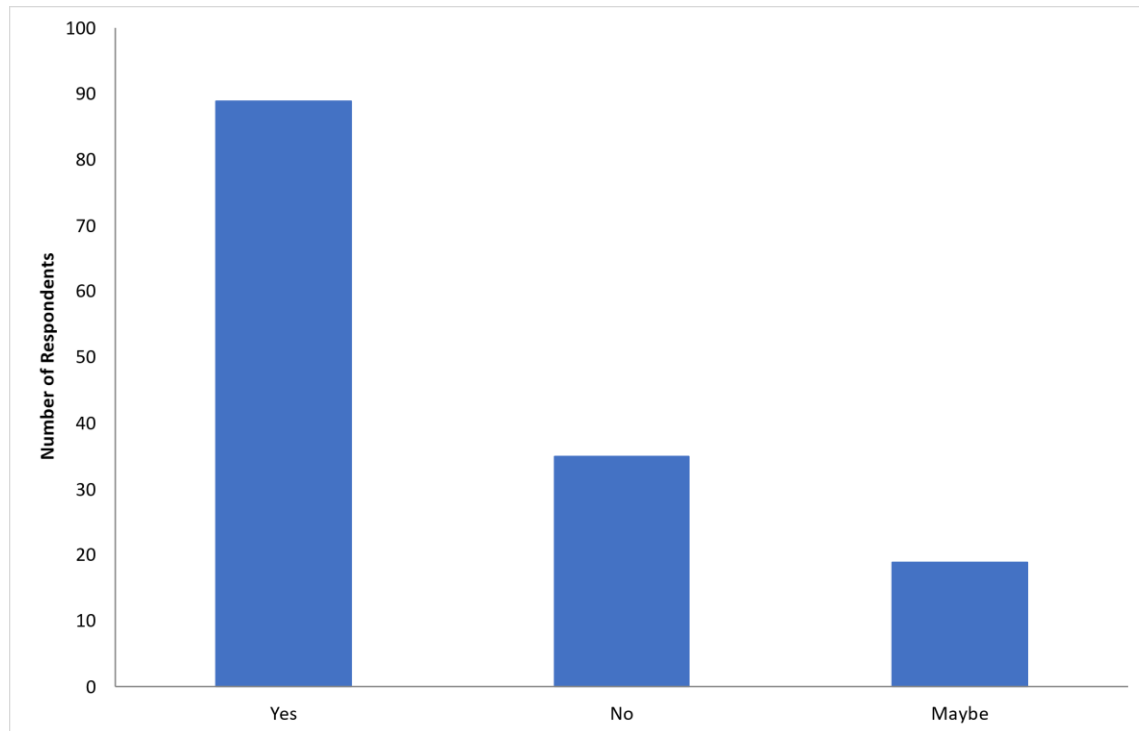
Convenience sampling, supplemented by snowball sampling, was used. The final sample comprised 114 valid responses from individuals aged 18 and above, across four age groups: 18–21, 22–30, 30–50, and 50+.

Demographic Profile of respondents



3.2 Analysis

Q2: Cryptocurrency Awareness



Out of 143 people who answered this question, 89 said they were familiar with cryptocurrencies like Bitcoin and Ethereum. That is a clear majority, which tells us that basic awareness is not really the problem. However, 35 people had no idea what crypto was, and another 19 were somewhere in between. So while the word has spread quite well, especially among younger respondents, there is still a chunk of the population roughly one in three — who either haven't heard of it or aren't sure what to make of it.

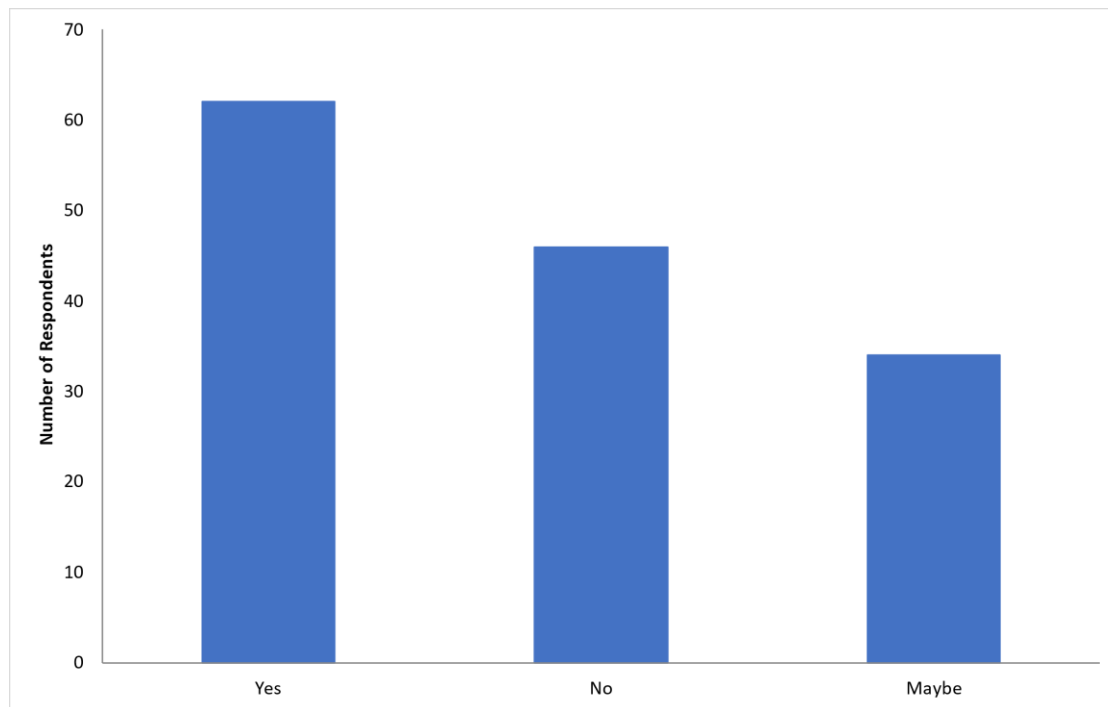
(n = 114) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
Yes	60	52.6%	52.6%
No	35	30.7%	83.3%
Maybe	19	16.7%	100.0%

Total (Valid)	114	100.0%	—
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Mode: Yes. More than half the sample is aware of major cryptocurrencies.

Q3: Investment Consideration



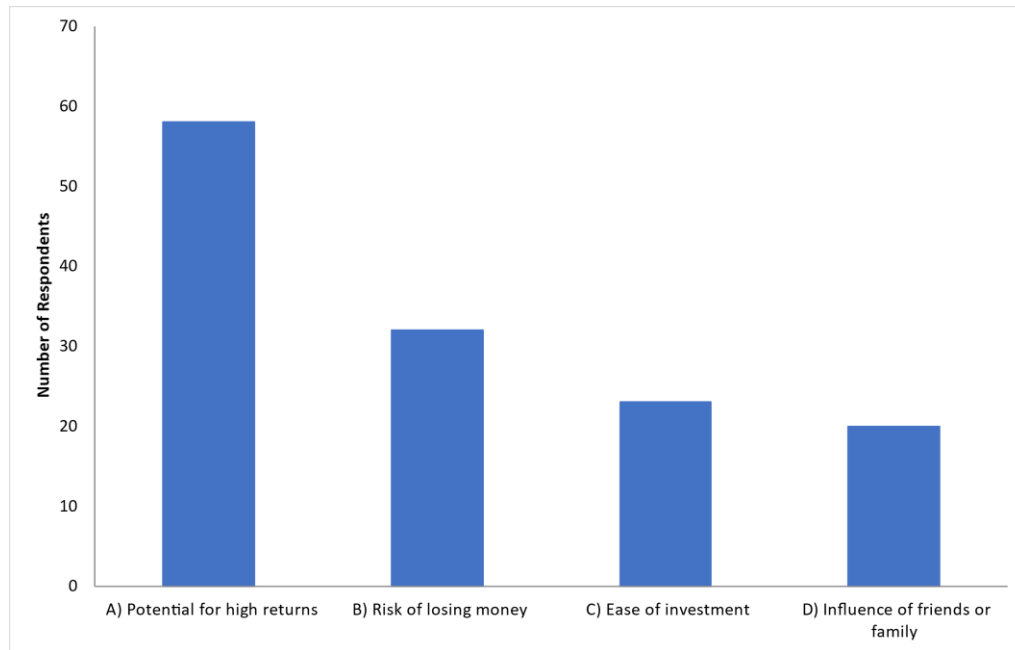
62 people said yes, 46 said no, and 34 said maybe. The "maybe" group is particularly interesting because these are people sitting right on the fence, they haven't ruled it out, but something is holding them back. The yes and maybe responses account for nearly 68% of respondents, which suggests that reluctance to invest isn't the same as disinterest. A lot of people are curious but cautious.

(n = 113) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
No	46	40.7%	40.7%
Maybe	34	30.1%	70.8%
Yes	33	29.2%	100.0%
Total (Valid)	113	100.0%	—

Mode: No. Combined Maybe + Yes = 59.3%, showing majority have at least some interests.

Q4: Primary Investment Consideration



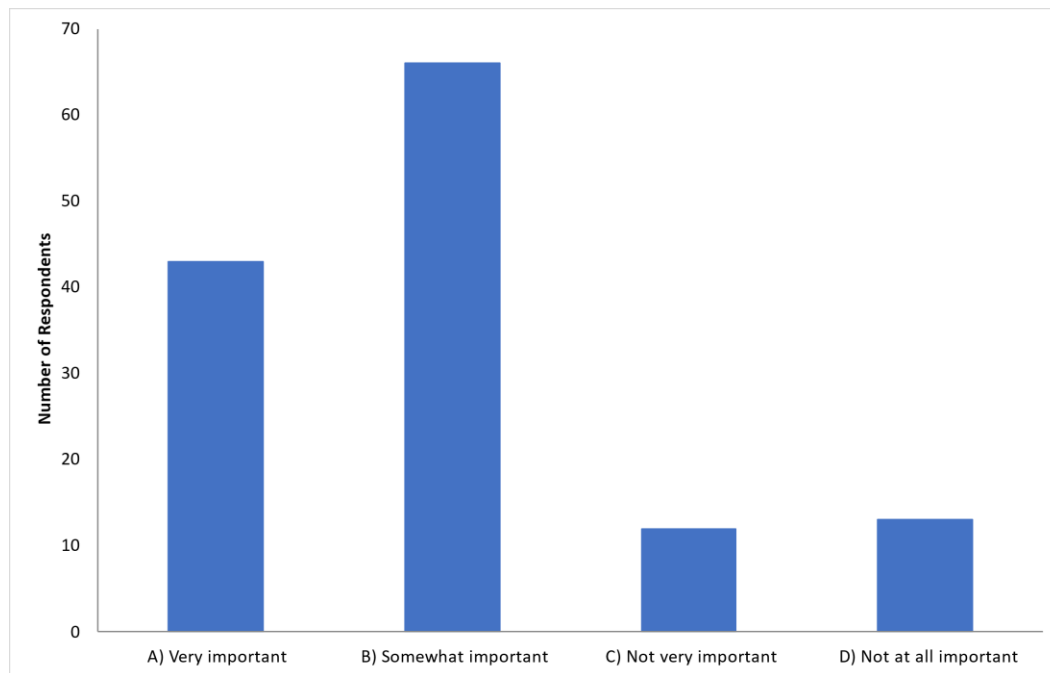
It did not revolve around fear – the number one reason was the ability to earn good returns, provided by 58 survey participants (43.6%). Risk of loss ranked second, followed by convenience and social proof. The implication of this finding is that people are not afraid of cryptocurrency. Instead, it attracts them because of its positive side, but there exist other barriers preventing them from investing.

(n = 104) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
Risk of losing money	32	30.8%	30.8%
Potential for high returns	29	27.9%	58.7%
Ease of investment	23	22.1%	80.8%
Influence of friends/family	20	19.2%	100.0%
Total (Valid)	104	100.0%	—

Mode: Risk of losing money (30.8%). Downside fear is the top concern, closely followed by return potential.

Q5: Importance of Security & Regulatory Factors



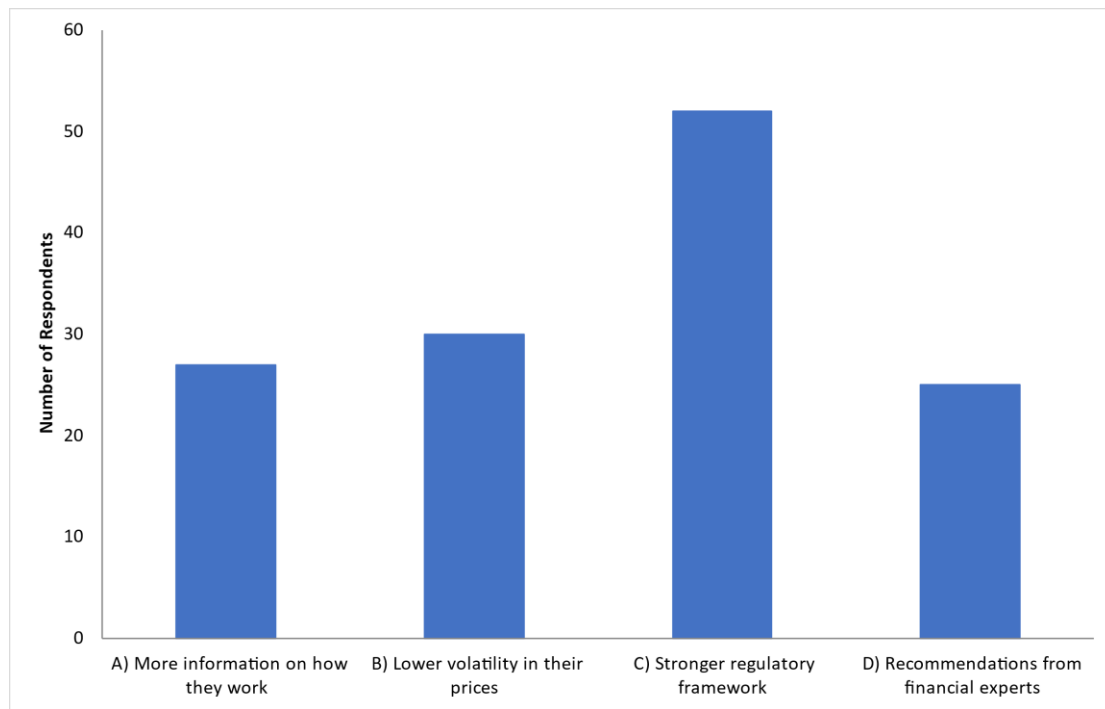
An absolutely massive percentage, about 81%, indicated that considerations relating to security and regulation were either somewhat or very important. In fact, almost half the respondents picked "somewhat important" over "very important," which implies that while these considerations have weight for them, they probably aren't making decisions solely on the basis of regulations just yet. But that's pretty much as close to a consensus as one could hope for. Almost no one indicated that these things didn't matter to them.

(n = 105) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
Very important	43	41.0%	41.0%
Somewhat important	37	35.2%	76.2%
Not very important	12	11.4%	87.6%
Not at all important	13	12.4%	100.0%
Total (Valid)	105	100.0%	—

Mode: Very important. 76.2% rate regulatory and security factors as important.

Q6: Most Convincing Factor to Invest



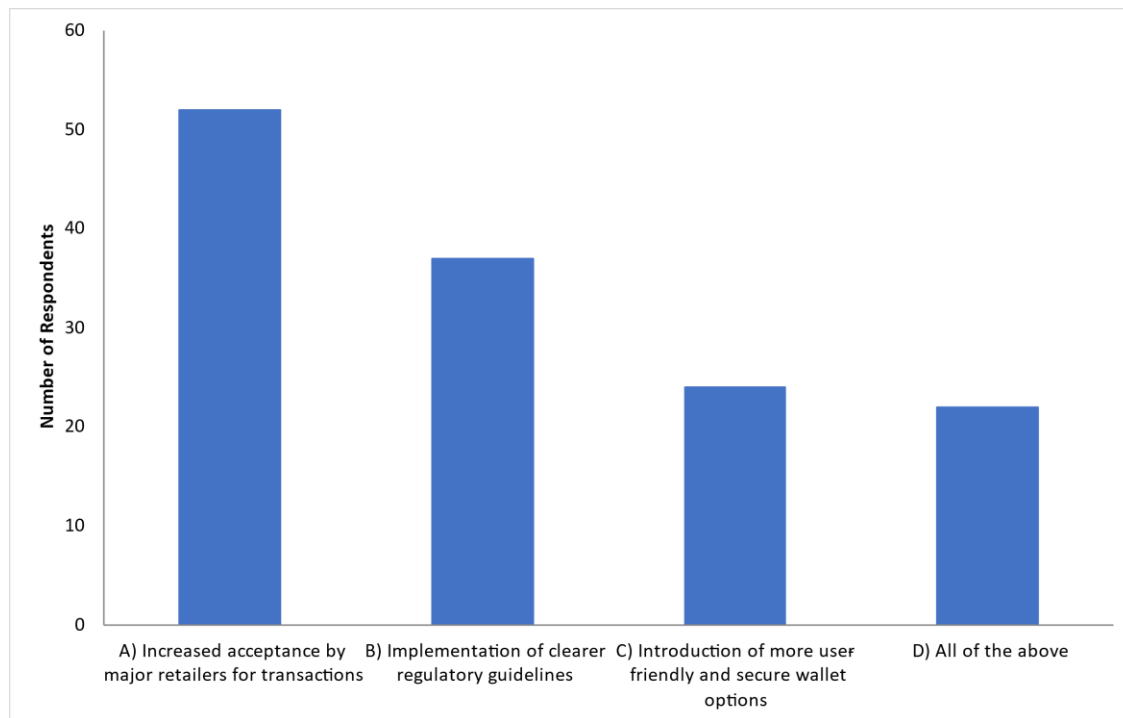
In case there were only one factor that could really make a person invest in cryptocurrencies, the factor chosen by the highest number of participants (52) was the more robust regulatory regime. Next comes price volatility, as 30 chose lower price volatility as the most influential factor. Information access and expert opinion are right behind that, tying at 29. It is noteworthy how regulation beats out even price volatility for its importance.

(n = 105) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
Lower price volatility	30	28.6%	28.6%
More information on how crypto works	27	25.7%	54.3%
Recommendations from financial experts	25	23.8%	78.1%
Stronger regulatory framework	23	21.9%	100.0%
Total (Valid)	105	100.0%	—

Mode: Lower volatility (28.6%). Responses are nearly uniformly spread — no single factor dominates.

Q7: Most Encouraging Market Development



The question raised in this case was what type of advancements in the market could drive people towards investing in cryptocurrency. Retailer acceptance received 52 votes, almost equally as many as clear regulations (37). Easy-to-use and secure wallets received 24 votes, while 22 people agreed that everything above would help. The choice regarding retailer acceptance deserves some special attention as it represents quite a pragmatic approach where people would like to see their investments applied to their real lives rather than trading on apps.

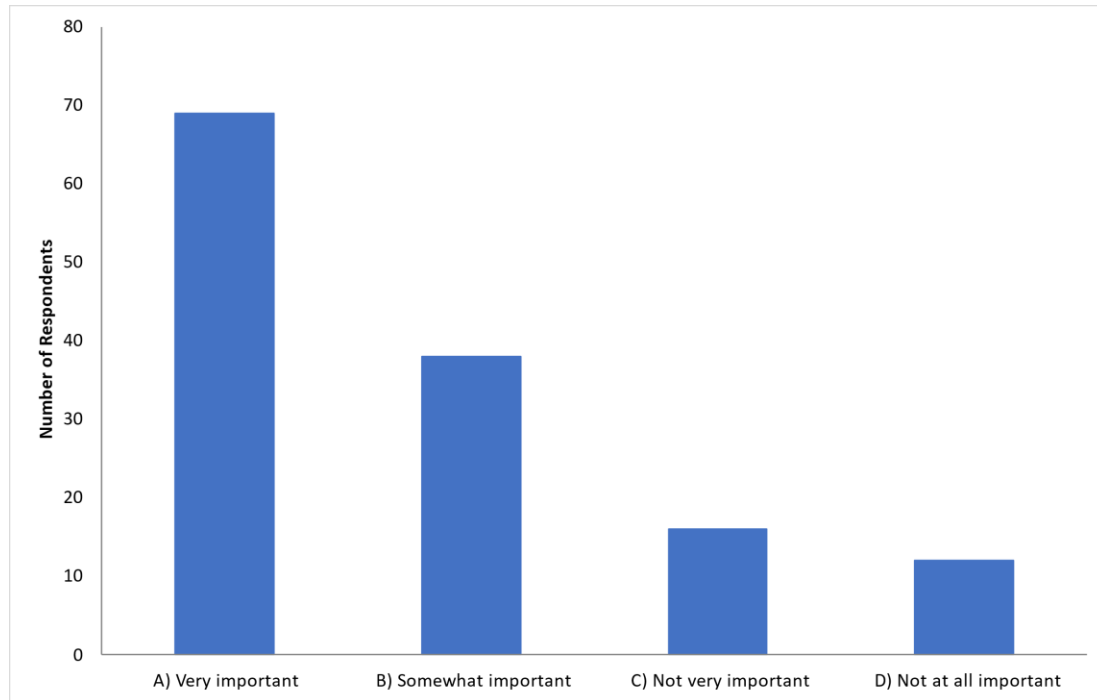
(n = 106) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
Clearer regulatory guidelines	37	34.9%	34.9%
User-friendly & secure wallets	24	22.6%	57.5%
Wider retailer acceptance	23	21.7%	79.2%
All of the above	22	20.8%	100.0%

Total (Valid)	106	100.0%	—
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Mode: Clearer regulatory guidelines (34.9%). Regulatory progress leads but the overall distribution is broad.

Q8: Importance of Price Stability



Indeed, it was among the strongest findings from the survey itself. More than half – 51.1%, in fact considered price stability to be very important, while 28% felt it was at least somewhat important. This means that close to 80% of the respondents were concerned about the problem. It is no surprise, considering the reason why many have been turned away by this cryptocurrency in particular: seeing half of their investment disappear within a few weeks does little to inspire confidence.

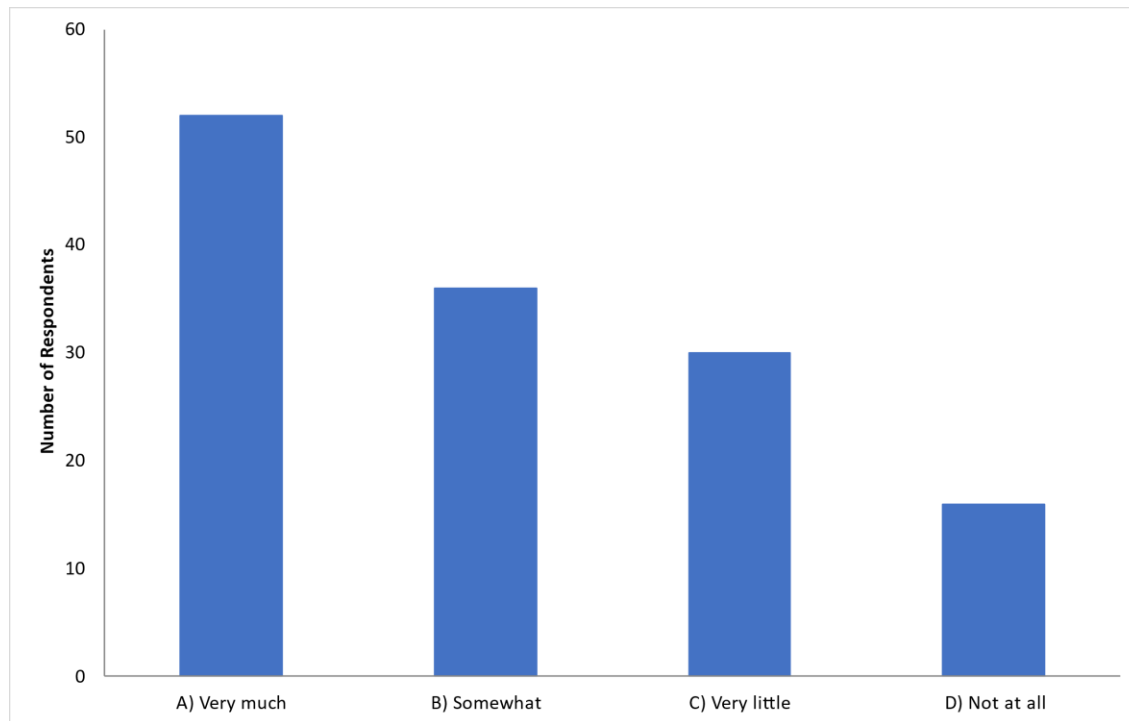
(n = 106) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
Very important	40	37.7%	37.7%
Somewhat important	38	35.8%	73.6%
Not very important	16	15.1%	88.7%

Not at all important	12	11.3%	100.0%
Total (Valid)	106	100.0%	—

Mode: Very important. 73.6% view price stability as important — volatility remains a key barrier.

Q9: Media Reliance for Crypto Information



Almost a third of the participants admitted that they use the media "very much" in acquiring their knowledge about cryptos - this was the highest among all the options selected by the participants. On the other hand, 27% of them admitted that they use the media "somewhat." Overall, it can be seen that around 65% of the participants use the media to acquire a significant part of their knowledge related to cryptos.

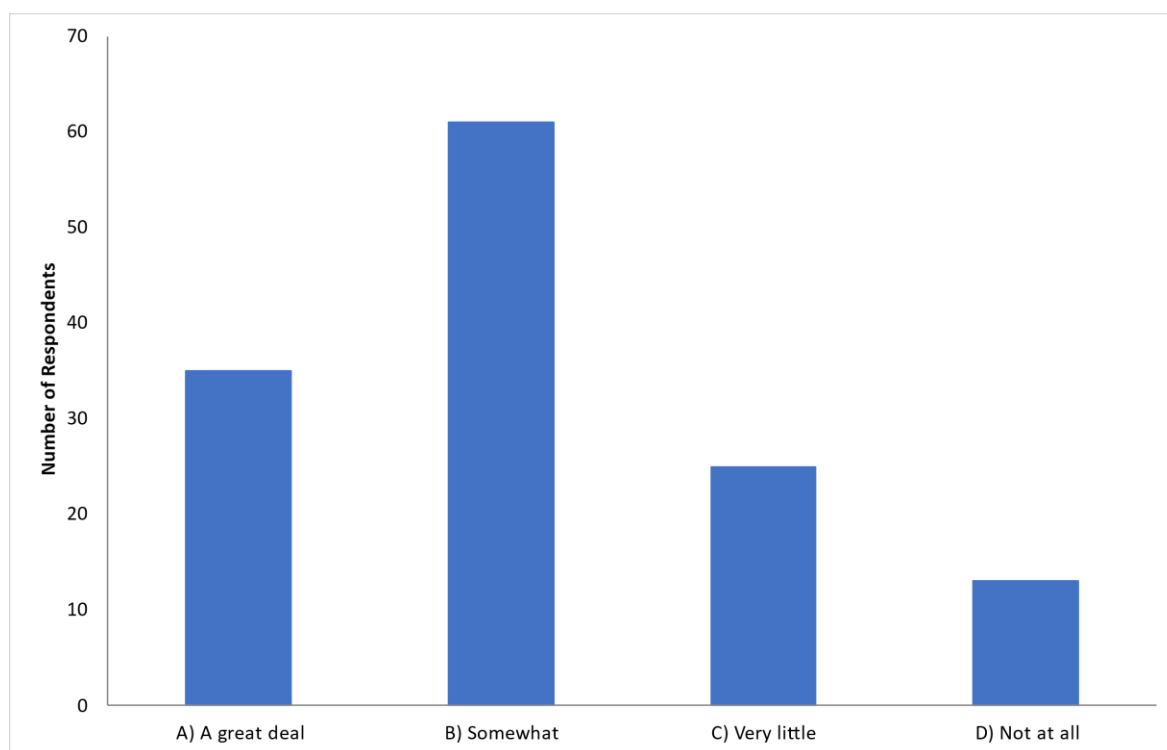
(n = 105) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
Somewhat	36	34.3%	34.3%
Very little	30	28.6%	62.9%

Very much	23	21.9%	84.8%
Not at all	16	15.2%	100.0%
Total (Valid)	105	100.0%	—

Mode: Somewhat. 56.2% rely on media at least somewhat for crypto information.

Q10: Influence of Government Regulations on Investment



Asking directly whether government policies have any effect on their thoughts regarding cryptocurrencies, 46% of participants stated "Somewhat," while another 26% responded with "A lot." That translates to 71% of participants who are aware and taking into account government actions. Only 10% thought that there is no effect at all. That is an unequivocal sign that government policies in India, such as the 30% tax or the pending COINS Act, have not been forgotten by the investors-to-be.

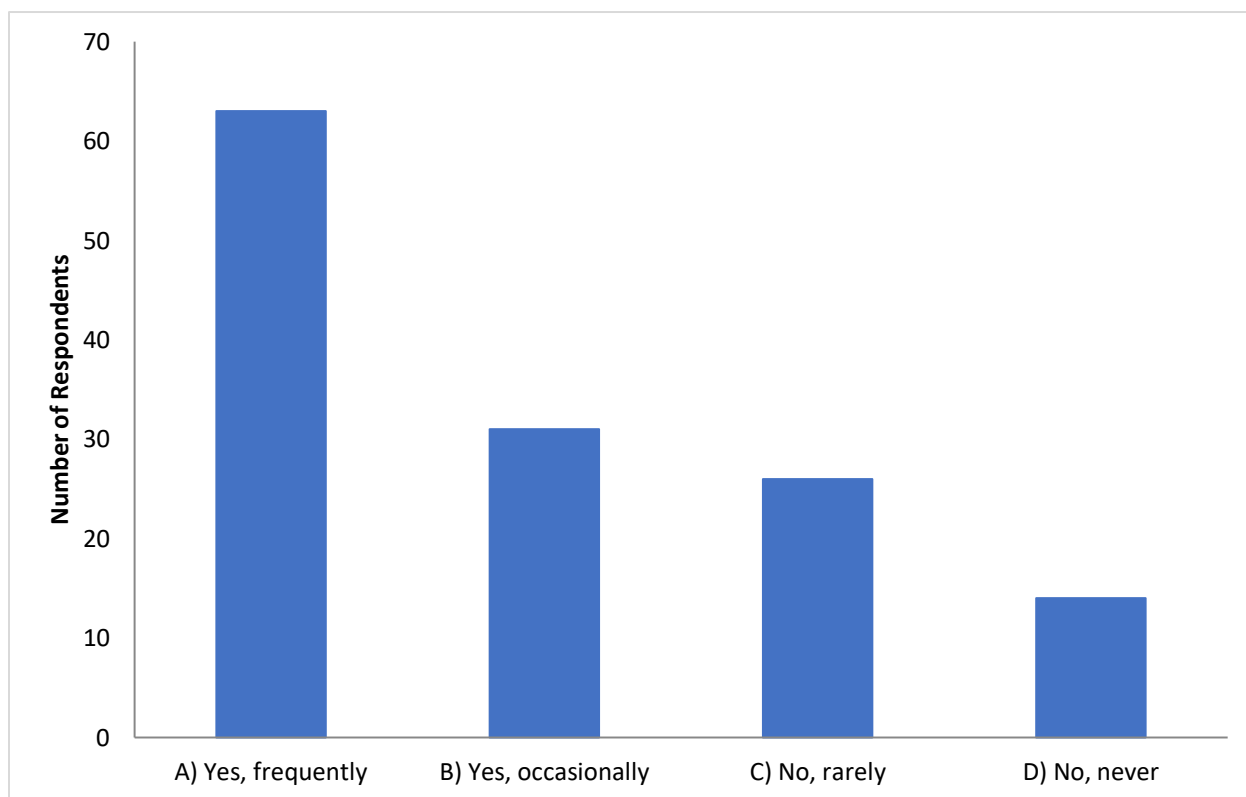
(n = 105) (Clean responses for data analysis)

Response	Frequency	Valid %	Cumulative %
A great deal	35	33.3%	33.3%

Somewhat	32	30.5%	63.8%
Very little	25	23.8%	87.6%
Not at all	13	12.4%	100.0%
Total (Valid)	105	100.0%	—

Mode: A great deal. 63.8% say government regulation meaningfully influences their investment thinking.

Q11: Deterred from investing due to regulatory concerns?



It was one of the most shocking findings in the survey. Almost half of the participants – 47 percent – admitted that they were discouraged from investments due to the regulatory reasons, stating that this situation occurs quite often. Another 23 percent reported being discouraged due to regulatory matters from time to time. Thus, altogether, 94 percent of all the respondents were held back due to regulatory reasons at some stage of their lives. It is a serious concern that touches almost everyone; therefore, it is the top priority to be addressed first.

Chapter 4: Case Studies on Cryptocurrency Fraud

Below are three cases studies which will provide a description of actual incidents of cryptocurrency scams. In these case studies, we will examine the process behind the fraud, its financial consequences, and general system issues raised. In addition, they will demonstrate how the process of frauds leads to a chain reaction of fear which discourages people from investing in the network altogether..

Case Study 1: Fake Cryptocurrency Platform via Facebook Advertisement (Malaysia)

Case Overview

Field	Details
Victim	49-year-old accountant
Location	Batu Pahat, Malaysia
Financial Loss	RM 776,000 (~USD 170,000)
Scam Type	Fake Investment Platform via Social Media Ad

Background and Timeline of Occurrence

The victim who is financially literate was presented by a very attractive Facebook advertisement stating high gains and low risks of crypto investment. It was well-designed, contained positive testimonies, and directed the victim to a seemingly legit investment site. Lured by the prospects of above-average returns, she signed up for the website and successfully completed an identity verification process that made her believe that she was secure.

For several weeks to come, she noticed that her 'portfolio' was growing at the site's dashboard, thus increasing her trust towards the service. She made several payments into the designated bank accounts of the platform worth RM 776,000 in total. Once she wanted to withdraw her funds, she was asked to make a 'processing fee' equal to 1% of her total deposit in order to be able to access her money – a typical advance fee fraud scheme. After the payment was made, the account got blocked, and no contact from the platform was ever possible again.

Fraud Mechanics Analysis

- Platform Legitimacy Mimicry: The fraudulent platform emulated all the features of legitimate exchanges in its presentation through use of fake trade graphs, fake portfolio screens, and 'customer support' contacts.
- Incremental Commitment Escalation: Early gains made available for viewing on the dashboard encouraged bigger deposits in time – this being another exploitation of the psychological 'commitment and consistency' bias.
- Advance-Fee Fraud Collection: 'Processing fee' requirement for withdrawal payments on part of the victim is an integral feature of such scams, leading to perpetually rising barriers to fund withdrawal.
- Facebook Advertising as a Scam Channel: Social media can be used as an attack channel by targeting finance- or investment-minded users via Facebook advertisements.

Case Study 2: Pig Butchering Scam via Social Engineering (Malaysia)

Case Overview

Field	Details
Victim	40-year-old car engine oil salesman
Location	Sibu, Malaysia
Financial Loss	RM 94,247 (~USD 20,000)
Scam Type	Sha Zhu Pan (Pig Butchering) via Facebook

Background and Event Timeline

The fraudster reached out through Facebook using the pseudonym 'David,' and after spending a few weeks developing a bond of friendship, introduced his victim to a 'crypto shares' scheme –

a purposefully ambiguous description to make it look like something akin to ‘cryptocurrency stocks’ or ‘cryptocurrency ETFs.’ The fraudster presented himself as knowledgeable about investments by providing detailed analysis regarding them and also showing his victim a trading platform.

The victim deposited RM 94,247 over several deposits. According to the dashboard provided, the total profits earned from these investments were more than RM 3.4 million, which is a fabricated gain of 3,500%. In hindsight, this profit rate was unattainable; however, since there had been an accumulation of investment and a long-term engagement with ‘David’, any skepticism was put aside. Every withdrawal request was countered with more fees until the fraudster eventually disappeared without returning the money.

Fraud Mechanics Analysis

- ‘Pig Butchering’ Scam Scheme: Probably the largest source of financial loss and psychological complexity among crypto-related scam schemes. The term ‘pig butchering’ refers to the fattening of the victim (gaining their trust and encouraging investments) and then the slaughtering (exit scam), which originates from Southeast Asia but has expanded globally.
- Social Engineering through a Long Form Interaction: Contrary to quick phishing attacks, which involve a fast exchange, pig butchering requires several weeks or even months of interacting with victims.
- Cognitive Bias of Commitment: The longer the interaction and the bigger the commitment to an investment, the harder it becomes psychologically for victims to admit that the scheme is a fraud.
- Misleading Gains: While presenting false gains in the millions of percentages is easy technically (every web developer can create such a chart) and psychologically very persuasive for a victim.

Case Study 3: Bitcoin Investment Advertisement Fraud – Escalating Fee Extraction

Case Overview

Field	Details
Victim	56-year-old man
Location	Iskandar Puteri, Malaysia
Financial Loss	RM 413,522 (~USD 90,000)
Scam Type	Fake Bitcoin Platform + Escalating Fee Extraction

Background and Event Timeline

The current case represents a combination of Case 1 (advertisement via social media) and Case 2 (progressive increase of demanded fees). The victim received a fraudulent offer via Facebook and registered via the link provided by the scammer, receiving further help from his personal 'account manager' via calls and emails, which increased the level of the scheme's legitimacy.

Over several weeks, the total amount of payments made by the victim was RM 413,522, which indicates the employment of many bank accounts by scammers as a method of money laundering. In addition, his account indicated a balance of almost USD 1.5 million within two months of the transaction, representing a profit of 300%+ in an incredibly short period of time. Upon trying to withdraw the money, the victim was required to pay an additional RM 176,575 as a processing fee, which constituted 43% of his initial deposit. The victim turned to law enforcement agencies, but retrieving the money was impossible due to the employment of many different bank accounts.

Cross-Case Synthesis and Red Flag Framework

Red Flag	Case 1	Case 2	Case 3
Platform sourced via Facebook	Yes	Yes	Yes
Unrealistic return promises	Yes	Yes	Yes
Withdrawal blocked by fees	Yes (1% fee)	Yes (perpetual)	Yes (RM 176,575)
Professional-looking fake UI	Yes	Yes	Yes
No regulatory registration	Yes	Yes	Yes
Total approx. loss (USD)	~170,000	~20,000	~90,000

Chapter 5: Conclusion & Recommendations

5.1 Conclusion

In this report, a wide range of factors contributing to the avoidance of cryptocurrency investments in India have been identified by conducting an exhaustive, multifaceted study that incorporates the results of the primary survey with up-to-date information on both global and Indian markets, including 2024-2026 forecasts.

At different levels – empirical (the primary survey involving 147 participants), analytical (hypothesis testing, comparisons, etc.), and contextual (including regulatory considerations and international comparisons, analysis of fraudulent schemes), the investigation has led to one fundamental conclusion, which is stated below.

The key reason behind the avoidance of cryptocurrency investments among Indian participants is structural and regulatory rather than intrinsic to the asset class itself. Cryptocurrency investments are avoided not because of the inability of investors to identify possible gains: 62.5% mentioned the ability to generate high returns as the most important factor. The key point is the unavailability of the environment in which the cryptocurrencies function: 96.9% of the participants mentioned regulations and security, 92.2% – government regulation..

The second barrier comes into existence through the emergence of price volatility, with 78.8% of participants indicating price stability as “very important.” It clearly brings forth the importance of the stablecoin ecosystem as an ideal platform – bringing the advantages of blockchain technology while minimizing any concerns relating to fluctuations in the cost associated with it. This thesis gets reinforced by the exponential increase in stablecoin transactions (USD 4 trillion annually by 2025).

The three cases of fraud serve as an example of the chilling effects of any form of scam within the cryptocurrency market: the exposure to any case of fraud creates a chilling effect for the entire

social circle of a person, which discourages any form of interaction despite having no investments. It brings about the realization of the collective nature of investor protection.

Worldwide, the crypto industry is at a critical juncture. Institutional acceptance is commonplace: institutions like Blackrock, JPMorgan, Visa, and Fidelity are already engaged in significant crypto activities. There is also regulatory clarity in the form of legislation such as the GENIUS act in the U.S., MiCA in the EU, and Singapore's PSA scheme. Moreover, there is rapid adoption with more than 716 million crypto owners worldwide, India being the leader in adoption from below. Nevertheless, inside India, confusion surrounding regulation, punitive tax laws, and public scepticism due to fraud have continued to hinder this potential.

Enactment of the COINS Act 2025 and the formation of CARA present the best policy initiative in the near future to mitigate these challenges. With clear regulations for exchanges, consumer protection measures, and an improved tax regime, this bill could usher in another phase of crypto ownership among millions of Indians who understand and are fascinated by cryptocurrencies yet hesitant to invest due to a lack of institutional trust.

5.2 Recommendations

For Policymakers & Regulators

- Pass the COINS Act 2025 to establish a proper regulatory framework for crypto in India.
- Reduce the punishing 30% crypto tax and allow losses to be offset against gains from other VDAs.
- Require all crypto exchanges to register with FIU-IND and mandate proper customer fund protection.
- Introduce controls over misleading crypto advertisements on social media.
- Create a clear, accessible consumer complaint mechanism specifically for crypto users.

For Financial Institutions & Exchanges

- Develop and offer regulated stablecoin investment products as a lower-risk entry point.

- Encourage major banks – State Bank of India, HDFC Bank, ICICI Bank – to support crypto services, lending their credibility to the asset class.
- Provide insurance and protection funds for retail investors.
- Simplify the process of converting INR to crypto for first-time buyers.

For Educators & Society

- Integrate blockchain and cryptocurrency studies into university curricula, including at institutions like Delhi Technological University.
- Run targeted financial awareness campaigns for vulnerable groups.
- Train journalists in responsible crypto reporting to reduce sensationalism and improve information quality.
- Develop simple, accessible scam-awareness content in Hindi and regional languages.

5.3 Limitations of the Study

There are certain limitations in this research, which must be considered while evaluating the results of this study. First of all, the sample size of the initial survey (N=147 people) gathered using convenience and snowball sampling techniques cannot be regarded as representative in terms of statistical methods because the sample is obviously biased towards respondents who have access to the Internet and have some education. Thus, the opinions of older people from rural areas are greatly underrepresented in this research. Inferential statistics (chisquare and regression analyses) is not used in the research to prove causality between the dependent variable and independent variables (demographic characteristics).

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Annexure

QUESTIONNAIRE

1.Age

18-21

22-30

30-50

50 above

2.Are you aware of cryptocurrencies like Bitcoin, Ethereum, etc.?

Yes

No

Maybe

3.Have you ever considered investing in cryptocurrencies?

Yes

No

Maybe

4. What is your primary consideration when deciding whether to invest in cryptocurrencies?

A) Potential for high returns

B) Risk of losing money

C) Ease of investment

D) Influence of friends or family

5. How important are security and regulatory factors in your decision to invest in cryptocurrencies?

A) Very important

B) Somewhat important

C) Not very important

D) Not at all important

6.Which of the following would most likely convince you to invest in cryptocurrencies?

A) More information on how they work

B) Lower volatility in their prices

C) Stronger regulatory framework

D) Recommendations from financial experts

7. Which of the following developments would make you more likely to consider investing in cryptocurrencies?

- A) Increased acceptance by major retailers for transactions
- B) Implementation of clearer regulatory guidelines
- C) Introduction of more user-friendly and secure wallet options
- D) All of the above

8. How important is the potential for increased stability in cryptocurrency prices to your decision to invest?

- A) Very important
- B) Somewhat important
- C) Not very important
- D) Not at all important

9. How much do you rely on media and news coverage for information about cryptocurrencies?

- A) Very much
- B) Somewhat
- C) Very little
- D) Not at all

10. How much do government regulations and policies regarding cryptocurrencies influence your decision to invest in them?

- A) A great deal
- B) Somewhat
- C) Very little
- D) Not at all

11. Have you ever been deterred from investing in cryptocurrencies due to regulatory concerns?

- A) Yes, frequently
- B) Yes, occasionally
- C) No, rarely
- D) No, never

12. How important do you think it is for governments to establish clear regulations for cryptocurrencies to increase their appeal as an investment?

- A) Very important
- B) Somewhat important
- C) Not very important
- D) Not at all important

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