



## “A COMPARATIVE STUDY ON INVESTMENT PREFERENCE OF RETAIL INVESTORS TOWARDS INVESTMENT IN STOCK MARKET AND CRYPTOCURRENCY IN LUCKNOW CITY”

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### **Abstract**

*Money plays a crucial role in one's life in this modern era. They must invest their money to meet their present needs and at the same time secure their future. There are numerous investment options available, including banks, gold, real estate, post office services, and mutual funds, from which one must choose the most appropriate based on his/her goals. With the advancement in technologies new investment options are also emerging which include cryptocurrency. Stock market investments are also becoming popular due the emergence of Discount brokers like 'Zerodha', 'Groww', etc. which offer convenient investing in stock market. Since both cryptocurrency and stock market have many things in common relating to Risk, liquidity, high profits etc. investors are always debating over which one is better than the other. The aim of the study conducted is to analyse and compare the retail investor's preference towards stock market and cryptocurrency. Data was collected from 105 respondents. Based on their demographics and financial knowledge both the investment options were compared using percentage and it was found that stock market is more preferred option for investment than cryptocurrency in all categories of demographics.*

**Keywords:** *Investor's Preference, Stock Market, Cryptocurrency, Demographics, Financial Knowledge*

### **1. Introduction**

People investing their money in a profitable source to grow wealth is nothing new. Although all types of investment avenues carry some risk, some are less volatile than others and can withstand major economic downturns. As a result, cryptocurrency and the stock market have emerged as the most popular investment options in the twenty-first century. This has sparked a heated debate on cryptocurrencies vs stocks. Stocks are a representation of a company's ownership. They represent a company's worth and fluctuation in price is based on the company's performance in the market. Cryptocurrency, on the other hand, is a digital asset that debuted in 2009 with the well-known bitcoin and it's been more than a decade since then, the cryptocurrency market has grown in popularity as it has provided instant profits to many investors, despite the huge risk involved. There are thousands of different cryptocurrencies available for purchase in the market today including Bitcoin, Ethereum, Dogecoin, XRP, Ripple etc. "Cryptocurrency" is a combination of two words: "crypto" and "currency." The term "crypto" refers to information that is hidden. The secret information includes the names and addresses of the owners, as well as payment information that has been encrypted using modern technology. The term "currency" refers to digital cash in this context. Cryptocurrencies do not have the same properties as cash or paper currencies, which are utilised for everyday transactions. It can be digitally saved and traded. A cryptocurrency's value is determined by market demand, supply, and adoption.



People were constrained to stock market investment models for many years. However, the recent rise of cryptocurrencies and the price of bitcoin has enticed or, more importantly, redirected many investors to try their hand at the digital currency market. Unfortunately, this does not obscure the fact that the cryptocurrency market is extremely volatile and fraught with dangers. While bitcoin made headlines in April, 2021 when it hit a new high of US\$63,000, it dropped to US\$30,000 in July, 2021 and it can clearly be said that it was on the verge of dying within 3 months. Same thing happened again when it again hit an all-time high of US\$68,000 in Nov, 2021 and again dropped to US\$49,000 in the next month. It's no different in the stock market. The Nifty 50 lost more than half of its value in the early days of the pandemic. The bitcoin market has operated in a digital paradigm from its inception. On the other hand, the stock market is a completely different story. Investors used to give money to financial consultants or brokers, who would then invest it in the stock market. Thankfully, the situation has changed, and the stock market has also changed dramatically. A digital exchange, brokerage account, smartphone app, or other online venues can now be used to buy and sell cryptocurrencies and stocks. Furthermore, in terms of appearance, trading choices, and order-book-based liquidity, they offer a similar user experience.

### **1.1. The Difference between Cryptocurrency and Stocks**

While both cryptocurrency and stocks are forms of investments, each has its own set of characteristics that set it apart from the other. When you purchase a stock, you are making a direct investment in a company that you expect to grow. On the other side, you buy cryptocurrency tokens to use as a digital investing platform or to exchange for cash.

**1.1.1. Cryptocurrency creator and stock distributor:** The decentralized and independent nature of cryptocurrency is one of the reasons for its enduring popularity. Anyone can become a cryptocurrency miner and try to get their hands on bitcoin because of its leniency. Furthermore, other cryptocurrencies, such as Dogecoin, were created by bored programmers who wished to spoof the meme. The stock market is completely a different story. It is necessary to create stocks. Government agencies must approve them also they must be audited.

**1.1.2. Stocks are protected against hacking, but cryptos are not:** As the stock market is heavily controlled by government organisations and is subject to annual auditing. Stocks are unlikely to be rigged due to the intense examination they receive. Cryptocurrencies, on the other hand, are an entirely different story. Digital currencies are unregulated and vulnerable to fraud due to their decentralised structure. You could lose all of your digital assets as a result of a simple scam.

**1.1.3. The ownership rights void:** Stocks are seen as a form of ownership. Shares ownership does not change until the owner prefers to sell the stock, similar to voting and citizenship cards. When he or she invests in stocks, they are given a percentage of the company's ownership. When you invest in the digital currency market, you are given tokens such as Ethereum, bitcoin, and others. They don't imply that you have a legal stake in the company that issued them.

**1.1.4. The difference in transaction fees:** You must pay a transaction charge whenever you acquire a new stock, even if it is for a small amount. While transaction costs on large investments appear to be acceptable, they will eat away your stock returns on tiny investments. Trading cryptocurrencies, on the other hand, might be extremely profitable due to the minimal exchange fees. The transaction and gas fees, on the other hand, differ depending on which crypto exchange you choose.



## 2. Literature Review

Amaraveni P, Archana M (2017), The respondents' preferences for various investing options were investigated. It was discovered that while income level has a considerable impact on the investment option chosen, age has no effect.

Kannadhasan M (2015) the study investigated the association between financial risk tolerance and financial risk behaviour. It was discovered that the amount of income and education have no bearing on financial risk tolerance. The respondents' risk-taking ability is influenced by their high family responsibilities and family size. Exchange rate fluctuations, market volatility, inflation, political instability, and the impact of global crises on the economy are all macroeconomic variables that have long-term implications for younger investors.

Bhushan P (2014) financial literacy was studied using financial knowledge, financial behaviour, and financial attitude. According to the findings, there is a relationship between financial literacy and awareness, as well as investing choices. According to the Chi square test, there is a substantial relationship between income levels and the investing objective.

Geetha, S. N., & Vimala, K. (2014) The impact of demographic factors on investment decisions as well as the impact of information technology on financial markets were investigated. The research showed that while gender age and education levels had no effect on an investor's risk taking abilities, family size does.

Prabhat & Srivani (2016). Gender and age are demographic characteristics that have little bearing on investment decisions. The investing avenues chosen are influenced by factors such as income, occupation, and education.

Rizvi, & Abrar. (2015) the investor's investment style is determined by his or her language, educational orientation, income, and age. Financial literacy is one of the most important variables influencing retail investors' decisions.

Mak, M. K., & Ip, W. (2017). Psychological, sociological, and demographical aspects all have an impact on investment decisions, according to empirical evidence. Education Income Age, Gender, investment experience, help in predicting the investment preferences in Honkong and MainLand China.

Zanvar, & Bhola. (2016). The investments made in the risky vs. safe investment options differ significantly. Two of the most popular investments were banks and insurance. The elements that influenced the decision were high yields, tax benefits, and safety.

## 3. Objective of the study

- i. To study the preference of retail investors towards investment in stock market and cryptocurrency.
- ii. To analyse and compare the retail investors preference towards investment in stock market and cryptocurrency.
- iii. To make necessary suggestions if any.



## 4. Research Methodology

### 4.1. Sample design

Study is based on primary data which is collected using structured questionnaire including close ended questions seeking response from investors which helped identifying their preferences. Sample unit that was considered for the study were retail investors who have made any kind of investment. Data was collected from 105 respondents residing in Lucknow districts of Uttar Pradesh. Convenience sampling method was used to choose the sample units.

### 4.2. Analysis tools

The data collected is analysed and compared using simple percentage for different demographics.

## 5. Limitations of the study

- Sample size of the study was limited to only 105 respondents which may or may not represent the entire population.
- The survey is conducted only in Lucknow city. So it provides idea of that particular region only.

## 6. Classification and Presentation of Data

**Table 1: Profile of Retail Investors**

Sl. No	Category		No. of Respondents	Percentage
1	<b>Age</b>	< 22 years	22	21
2		22 years – 31 years	65	61.9
3		32 years – 41 years	15	14.3
4		42 years – 51 years	2	1.9
5		> 51 years	1	1
<b>Total</b>			<b>105</b>	<b>100</b>
1	<b>Gender</b>	Male	56	53.3
2		Female	49	46.7
<b>Total</b>			<b>105</b>	<b>100</b>
1	<b>Annual Income</b>	< 2 Lakhs	45	42.9
2		2 Lakhs – 6 Lakhs	36	34.3
3		6 Lakhs – 10 Lakhs	20	19
4		> 10 Lakhs	4	3.8
<b>Total</b>			<b>105</b>	<b>100</b>
1	<b>Educational Qualification</b>	Higher Secondary	8	7.6
2		Under Graduate	32	30.5
3		Post Graduate	61	58.1
4		Ph.D/M.Phil	4	3.8
<b>Total</b>			<b>105</b>	<b>100</b>
1	<b>Occupation</b>	Salaried	48	45.7
2		Business	8	7.6
3		Student	48	45.7
4		Housewife	1	1
<b>Total</b>			<b>105</b>	<b>100</b>
1	<b>Investment Knowledge</b>	Low	44	41.9
2		Moderate	51	48.6
3		Intensive	10	9.5
<b>Total</b>			<b>105</b>	<b>100</b>

Source: Primary Data



The above table no.1 indicates that out of total respondents’ 53.3 percent are male and 46.7 percent are female. Majority of the investors are male.

21 percent of the investors are below 22 years of age. 61.9 and 14.3 percent of respondents are in the age group of 22-31 years and 32-41 years respectively, while the age group above 42 years has only 2.9 percent of the respondents. It is evident that the above table reveals that majority of the respondents are young and middle age group investors.

Educational levels of investors reveal that, 7.6 percent of the investors are Inter pass whereas 3.8 percent of them have completed other level of education like Ph.D. or M.Phil. Majority of the investors are under graduate and post graduate consisting of 30.5 percent and 58.1 percent respectively.

42.9 percent of investors have income levels below Rs. 2,00,000 per annum, 34.3 percent of the investors have annual income between Rs. 2,00,000 – Rs. 6,00,000, 19 percent of investors have annual income level between Rs. 6,00,000 – Rs. 10,00,000 and 3.8 percent have an income above Rs. 10,00,000.

Out of 105 respondents, 45.7 percent of investors are salaried employees, whereas 7.6 percent of investors are doing their own business, 45.7 percent are Students and only 1 percent are in other forms of occupation such as Retired or Housewife.

Table also reveals that majority of the respondents i.e., 48.6 percent are found to have moderate knowledge of the financial market whereas 41.9 percent have low financial knowledge and only 9.5 percent of the investors have Intensive knowledge of financial market.

## 7. Analysis and Interpretation of data

### 7.1. Age wise analysis and interpretation of data

**Table 2: Age wise Preference of Retail Investor’s**

Age	Investment in Stock Market				Total	Investment in Cryptocurrency			
	Yes	No	Yes(%)	No(%)		Yes	No	Yes(%)	No(%)
< 22 years	8	14	36	64	<b>22</b>	6	16	27	73
22 years – 31 years	43	22	66	34	<b>65</b>	18	47	28	72
32 years – 41 years	10	5	67	33	<b>15</b>	3	12	20	80
42 years – 51 years	0	2	0	100	<b>2</b>	0	2	0	100
> 51 years	0	1	0	100	<b>1</b>	0	1	0	100
<b>Total</b>	<b>61</b>	<b>44</b>	-	-	<b>105</b>	<b>27</b>	<b>78</b>	-	-

Source: Primary Data

Majority of the respondents belong to the age group of 22-31 years with 65 respondents and below 22 years with 22 respondents. The age group of 22-31 years also has the highest percentage of investors who have invested in stock market as well as cryptocurrency, however in stock market 66 per cent (out of 65 respondents) have invested, whereas in cryptocurrency only 28 per cent have invested.



Investors below the age of 22 years have not shown much interest in stock market (with 36 per cent) and cryptocurrency (with 27 per cent). But in the age group of 32-41 years, 67 per cent have invested in stock market whereas in cryptocurrency only 20 per cent have invested which is quiet less as compared to stock market.

Number of respondents above the age of 42 years is very low and hence no proper conclusion can be drawn from this age group but those who have responded have shown no interest at all in stock market and cryptocurrency.

Overall, the young and middle age investor are more interested to invest in stock market rather than in cryptocurrency.

### 7.2. Gender wise analysis and interpretation of data

**Table 3: Gender wise Preference of Retail Investor’s**

Gender	Investment in Stock Market				Total	Investment in Cryptocurrency			
	Yes	No	Yes(%)	No(%)		Yes	No	Yes(%)	No(%)
Male	37	19	66	34	56	20	36	36	64
Female	24	25	49	51	49	7	42	14	86
<b>Total</b>	<b>61</b>	<b>44</b>	-	-	<b>105</b>	<b>27</b>	<b>78</b>	-	-

Source: Primary Data

From the Table it is evident that majority of the investors in stock market and cryptocurrency are males, they prefer both forms of investment with 66 per cent investors in stock market and 36 per cent in cryptocurrency, whereas female investors are 49 per cent in stock market and 14 per cent in cryptocurrency. This is also evident that both males and females are more inclined towards investment in stock market, 66% males prefer investing in stock market as against 36% in cryptocurrency and 49% females prefer investing in stock market as against only 14% in cryptocurrency.

### 7.3. Income wise analysis and interpretation of data

**Table 4: Income wise Preference of Retail Investor’s**

Income	Investment in Stock Market				Total	Investment in Cryptocurrency			
	Yes	No	Yes(%)	No(%)		Yes	No	Yes(%)	No(%)
< 2 Lakhs	18	27	40	60	45	14	31	31	69
2 Lakhs – 6 Lakhs	23	13	64	36	36	8	28	22	78
6 Lakhs – 10 Lakhs	16	4	80	20	20	3	17	15	85
> 10 Lakhs	4	0	100	0	4	2	2	50	50
<b>Total</b>	<b>61</b>	<b>44</b>	-	-	<b>105</b>	<b>27</b>	<b>78</b>	-	-

Source: Primary Data

There is showing a positive relationship between income and preference for investing in stock market which is not shown in case of cryptocurrency. 100 per cent of the Investors having annual income of





above Rs. 10 Lakhs prefer stock market whereas in case of cryptocurrency it is only 50 percent, which is also the highest percent in cryptocurrency.

Majority of the investors belong to the category of annual income below Rs.2 Lakhs i.e., 45 out of 105 respondents and in this 40 per cent prefer to park their investment in stock market whereas in case of cryptocurrency it is only 31 per cent.

Investors with annual income between Rs.2 Lakhs – Rs.10 Lakhs account for 56 (36+20) out of which stock market is preferred by 39 (23+16) which is 70 per cent whereas only 11 (8+3) which is 20 per cent, prefer cryptocurrency.

#### 7.4. Educational Qualification wise analysis and interpretation of data

**Table 5: Educational Qualification wise Preference of Retail Investor’s**

Educational Qualification	Investment in Stock Market				Total	Investment in Cryptocurrency			
	Yes	No	Yes(%)	No(%)		Yes	No	Yes(%)	No(%)
Higher Secondary	3	5	38	62	8	3	5	38	62
Under Graduate	18	14	56	44	32	9	23	28	72
Post Graduate	39	22	64	36	61	14	47	23	77
Ph.D/M.Phil	1	3	25	75	4	1	3	25	75
<b>Total</b>	<b>61</b>	<b>44</b>	-	-	<b>105</b>	<b>27</b>	<b>78</b>	-	-

Source: Primary Data

Investors with Post Graduate degree occupy the major portion of the study which is 61 respondents out of 105. Among these 61 investors, 64 per cent prefer to invest in stock market whereas as in cryptocurrency it is only 23 per cent. Investors with Higher secondary qualification prefer both the form of investment equally which is 38 percent, same is the case of Investors with qualification like Ph.D. or M.Phil which is 25 percent. 56 per cent of the investors who have obtained Under graduate qualification prefer investing in stock market whereas only 28 per cent prefer cryptocurrency.

#### 7.5. Occupation wise analysis and interpretation of data

**Table 6: Occupation wise Preference of Retail Investor’s**

Occupation	Investment in Stock Market				Total	Investment in Cryptocurrency			
	Yes	No	Yes(%)	No(%)		Yes	No	Yes(%)	No(%)
Salaried	34	14	71	29	48	10	38	21	79
Business	6	2	75	25	8	2	6	25	75
Student	21	27	44	56	48	15	33	31	69
Others	0	1	0	100	1	0	1	0	100
<b>Total</b>	<b>61</b>	<b>44</b>	-	-	<b>105</b>	<b>27</b>	<b>78</b>	-	-

Source: Primary Data

Salaried employees and students form the major portion with 48 respondents in both categories. However, among salaried employees 71 per cent prefer stock market while in only 21 per cent prefer cryptocurrency. In case of students also 44 per cent prefer stock market while 31 per cent prefer



cryptocurrency. In both these categories stock market is more popular. Business class shows the highest preference per percentage with 75 per cent in stock market while in cryptocurrency (with 21 per cent) they have not shown much interest.

### 7.6. Financial Knowledge wise analysis and interpretation of data

**Table 7: Financial Knowledge wise Preference of Retail Investor’s**

Financial Knowledge	Investment in Stock Market				Total	Investment in Cryptocurrency			
	Yes	No	Yes(%)	No(%)		Yes	No	Yes(%)	No(%)
Low	14	30	32	68	44	8	36	18	82
Moderate	37	14	73	27	51	15	36	29	71
High	10	0	100	0	10	4	6	40	60
<b>Total</b>	<b>61</b>	<b>44</b>	-	-	<b>105</b>	<b>27</b>	<b>78</b>	-	-

Source: Primary Data

Out of 105 respondents, 51 which is highest in the category consider themselves having moderate knowledge of the financial market and various financial instruments and among these 73 percent prefer stock market and 29 percent prefer cryptocurrency.

Those with Low financial knowledge do not prefer much either the forms of investments and account for only 32 per cent in stock market and 18 percent in cryptocurrency.

There are only 10 respondents with intensive knowledge but all of them prefer to invest in stock market while only 40 per cent prefer cryptocurrency.

However, there is an increasing preference for investment in both the forms of investment with increase in knowledge.

### 8. Conclusion and Suggestion

The analysis of data indicates that out of 105 respondents 61 i.e., 58.1 per cent of the investors prefer to invest in Stock market while only 27 i.e., 25.7 per cent investors have shown interest in cryptocurrency. The preference for investment is stock market exceeds the preference for investment in cryptocurrency in all the categories (Age, Gender, Annual Income, Educational qualification, Occupation and Financial Knowledge). This clearly shows that at present stock markets are more popular avenue for investment among investors as compared to cryptocurrency. There may be many reasons for this but one of the main reasons is safety of investment. In case of stock market there is an apex body called ‘Securities and Exchange Board of India (SEBI)’ which regulates and controls the entire stock market and also keep a check on the participants through various regulations in order to protect the investors from fraud. But there is no such body in case of cryptocurrency and many investors are being scammed due to this. Another reason for low popularity of cryptocurrency is that cryptocurrency is used in many illegal activities as it cannot be tracked by the government or any other agencies. This is the reason that many countries like China, Russia, Egypt, Morocco, Nigeria, Bolivia, Ecuador, Qatar, Turkey and Vietnam have banned cryptocurrency. In India cryptocurrency is not used as a legal tender of money but it is being used as an asset for investment and it is becoming more and more popular day by day among investors which is evident from the number of cryptocurrency investors in India (which is around 10 crore) making India the Top County in cryptocurrency investors. With advancement in





technology the scope for investment in stock market and cryptocurrency has increased a lot but the latter has still not gained much popularity among the investors as compared to stock market. Cryptocurrency may not prove to be a good legal tender but it does have a potential to be one of the best investment options especially among young investors. Therefore, the government should make strict regulations for the safety of investors and promotion of cryptocurrency.

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