

MASTERING BITCOINS OVER NEOCLASSICAL WAYS OF INVESTING: A NEW AGE ASSET CLASS

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ABSTRACT:

Cryptocurrencies are a new era investment as against investments in Neo Classical assets that the World has evidenced since 2009. India is in its infancy stage for cryptocurrencies since Hon'ble Supreme Court instructed the Reserve Bank of India to quash its 2018 circular that banned the customers who dealt in cryptocurrencies, to lift the ban on immediate basis in March 2021. Bitcoins, being the first ever virtual tremor that the global economy had ever evidenced since the inception of monetary exchanges, is only a symbolic representation of the existing 12000 varied crypto-currencies in 2021-a severe increase from just a handful of crypto coins in 2013 (Natalie zhang, Mac Kenzie Sigalos:2021). This research paper is an attempt to study how cryptocurrencies and block chain technology works, and the extent to which the New Age Asset Class investment can attract young investors over the Neo-classical ways of Investments. This paper thus is an attempt to explore the fundamental principles behind cryptocurrencies and blockchain technology and to evaluate how these innovations are reshaping financial investment landscapes. The study further analyzes the extent to which these new-age assets attract younger investors compared to traditional neo-classical investment vehicles such as stocks, bonds, and real estate. Through technological, psychological, and economic lenses, this research highlights the appeal, risks, and implications of adopting cryptocurrencies as a mainstream investment strategy.

Keywords: Bitcoins, Neo-Classical-Investments, New-Age-asset class.

INTRODUCTION TO CRYPTOCURRENCIES:

The world economy is inevitably moving towards a digital eco-system. From investment to money transfer, everything is going paper-less. The newest and the most promising addition to the digital payment sector is Crypto currency.

As defined by Investopedia, A Crypto currency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double spend.

Because most cryptocurrencies aren't regulated by national governments, they are considered alternative currencies-mediums of financial exchange that exist outside the bounds of state monetary policy. (Brian Martucci, 2021: What is Cryptocurrency-How it works & Bitcoin Alternatives: moneycrashers.com) Cryptocurrencies, unlike other traditional fiat currencies are outside the purview of political dependence. Due to lack of government regulations puts cryptos in a very high-risk bracket. Users offset this risk against the strong returns they generate as against any investments using fiat currencies that are regulated by the apex bank.

Statement of the Research Problem:

Blanket Ban Vs. A new Age Asset Class: In March 2020, the Supreme Court quashed the Reserve Bank of India's 2018 circular that cautioned the banks to be users, holders and traders of virtual currencies, including Bitcoins, regarding various risks associated in dealing with such virtual currencies. (RBI / 2017-18 / 154 dt. April 6, 2018). The decision came as a delight to crypto investors when it was instructed to the Central Bank to proceed with Virtual currencies with due diligence process, keeping in view the norms of Know Your Customer (KYC), Anti Money Laundering (AML), Combating of Financing of Terrorism (CFT) and obligations under Prevention of Money Laundering Act, (PMLA), 2002 with Foreign Exchange Management Act, (FEMA) for overseas remittances. (RBI / 2021-22 / 45 dt. May 31, 2021). This circular has created a mounting excitement amongst the investors of crypto currencies in India, with the legality part not being a question anymore but how it will be regulated by the Union Budget 2022 with RBI intervention about Central Bank digital currency (CBDC) will henceforth govern the New Digital Indian Economy.

As a first Successful Digital currency Bitcoin is a natural starting point if one wants to invest in virtual currencies. However, there are 11000 varied crypto-currencies in 2021-a severe increase from just a handful of crypto coins in 2013 (Natalie zhang, Mac Kenzie Sigalos : 2021)

Objective of the Study:

The following are the objectives of the current study:

1. To study how cryptocurrencies and block chain technology works. (Based on Secondary data collection)
 2. Impact of New Age Asset Class investment to attract young investors over the Neo-classical ways of Investments. (Based on Primary Data collection)
- (Young Investors are taken with investors falling in the age group 20 to 60 years-earning class)

Research Methodology:

Data collection sources: The current study is based on both primary as well as secondary data sources. For secondary data collection sources, official financial websites, Financial Magazines and authentic news channel websites, government and RBI circulars are referred to. Primary data collection was done through structured questionnaires from 100 investors in city of Ahmedabad. Correlation and Z-test are used in the study to study the correlation between young investors and their investment patterns,

Hypothesis:

H₀ - Majority of the young investors are inclined towards investing their money in Cryptocurrencies as compared to the Neo-classical investment (Gold)

H₁- Majority of the young investors are not inclined towards investing their money in Cryptocurrencies as compared to the Neo-classical investment (Gold)

LITERATURE REVIEW: HOW CRYPTOCURRENCIES AND BLOCK CHAIN TECHNOLOGY WORKS:

Cryptocurrency has become increasingly popular since 2008, since the invention of Bitcoin by Satoshi Nakamoto (Nakamoto, 2008). According to Matt Hougan, Bitwise chief investment strategist, "Crypto and blockchain is about moving money and property rights onto the internet, that's one of the largest addressable markets that the internet has ever attacked." After its launch in 2009, Bitcoin ushered in a new era of blockchain technology and digital currencies. (Nathan Reiff: May, 2021). A blockchain is a particular type or a subset of so-called distributed ledger technology (DLT), which is a way of recording and sharing data across multiple data stores (known as ledgers). Blockchains are special mechanism that employ encryption method known as cryptography and use specific mathematical algorithms to create and verify a continuously growing data structure. (Dr. Robby Houben, Alexander Snyers, 2018: Cryptocurrencies and Blockchain)

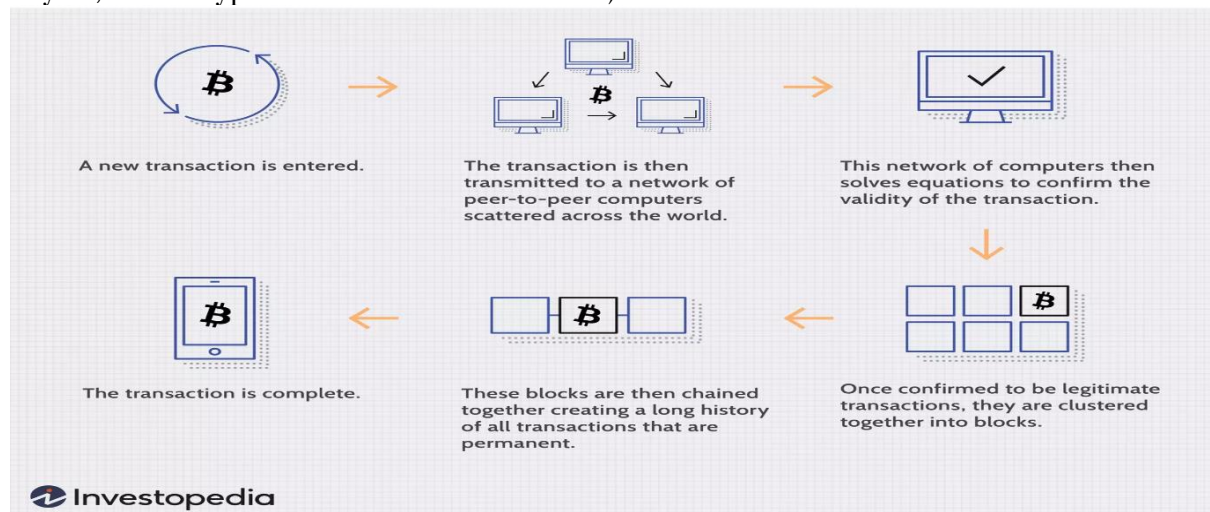


Figure 1: Work

Pattern of Cryptos *Source : Investopedia.com*

This system helps to establish an exact and transparent order of events. This way, no one node within the network

can alter information held within it. Thus, security is ensured. This is the main reason that young investors who are ready to take risks are attracted towards Bitcoin and other alternative digital coins (called altcoins).

Although Bitcoin still dominates a major part the cryptocurrency market (about 63.5% in June 2025), nearly 10,000+ cryptocurrencies are currently trading around the world with a combined market capitalization of US\$3.37 trillion as of November 13, 2021 (forbes.com market cap, 2025). The total value of holdings in cryptocurrencies is still small relative to holdings of gold and financial investments, but was being increasingly studied as a component of portfolios of wealthy investors (Zhao, 2021). One indicator of the growing importance of cryptocurrencies is concern about the impact on the environment of the production of cryptocurrencies (Sorkin, 2021). Altcoins have become an increasingly larger part of the crypto market since the beginning of 2021. (Natalie zhang, Mac Kenzie Sigalos: 2021) As on June 2025; the worth of a bitcoin in Indian Rupees was Rs.89,09,684.65 (coindesk.com), which for obvious reasons is attracting the young investors. However, (Nathan Reiff: May, 2021) it was stated that the combined value of bitcoin was equivalent just 2.1% of the world's money. Bitcoin was worth only about 6.3% of the world's gold supply. All cryptocurrencies combined accounted for less than 5% of the world's money, which was the primary reason of motivation to study whether young investors of Ahmedabad city are ready to invest their money in cryptos or show reluctance towards the risk involved and the lack of information about its regulation.

Neoclassical Ways of Investments (Gold):

Gold has always been considered a safe-haven metal for Indian middle class since ages. The yellow metal is literally as old as humans. India is the second largest market for gold after China. Kerala continues to be the biggest market for gold within India. As per the World Gold Council, In Quarter 3 of 2021, India's Gold consumption rose up to 600 tonnes in comparison to 450 tonnes in 2020. This was close to 800-900 tonnes in the pre-covid period, still ranging between 700-800 tonnes in mid 2025, inspite of gold prices surging as high as close to Rs.1,00,000 for 10gm gold. Both jewellery demand and investment demand in gold surged to a new level witnessing a rise by 58% and 27% respectively (*economictimes.indiatimes.com*).

Specially in India, apart from investment view point, it is considered as auspicious to buy gold (henceforth, referred to as the neo-classical investments) during auspicious occasions like Akshaya Tritiya, Dhanteras and in Indian weddings. However, the gold markets accross the nation, witnessed a considerable downfall in the gold consumption owing to the lock down situation in 2020 due to Covid Pandemic.

Gold is a unique asset, highly liquid, yet scarce; it's a consumer good and when it comes to investment, it carries no counter party risk. It plays a fundamental role in the investment portfolio of investors. Risk averse investors prefer the Neo - classical mode of investment. However, the gold industry in India is not integrated into global market as observed from the Foreign Direct Investment (FDI) in this sector. As per *companiesmarketcap.com*, market capitalization of gold is estimated around \$ 11.424 T.

Crypto currencies: A New Age Asset Class:

Cryptocurrency has seized the financial world by a storm by gaining momentum especially among the millennial in the recent past. Around 1.5 crore Indians have embraced crypto and invested close to 10 billion dollars in crypto assets. (Anulekha Ray, news18.com) "Bitcoin was amongst the largest growing asset classes during the recovery period of Covid-19. The return from cryptocurrency was double the returns of gold over the same period," said Edul Patel, CEO & co-founder of Mudrex, a global crypto investment platform.

From an investor's point of view, Nischal Shetty, founder, Wazir X, noted, "If we keep the religious and auspicious aspects of gold aside, a new challenger to it as an asset class has emerged rapidly in the form of crypto and Bitcoin, which are being seen as new gold, or the digital gold of today. Crypto has the ability to emerge as the new investment option in the festival season to fund the future. This can be attributed to people looking for alternative sources of investment, growing Internet penetration and people losing faith in the traditional financial ecosystem. People are now perceiving crypto as an alternative to traditional investment mediums."

The table below shows the trend of Bitcoin value and Gold prices in Indian Rupee from March 2018 to December 2025.

Gold value (10 grams)			Bitcoin prices (in INR)	
Year	Price	Change (%)	Price	Change (%)
2025 (April 22)	1,02,170	+16.70	7,983,670.45	+13.16

2025 (March 1)	87,550	+2.63	7,055,462.48	(-)4.67
2025 (Feb 1)	85,300	+9.01	7,401,141.26	(-)7.32
2024	78,245	+23.80	7,985,401.95	+127.62
2023	63,203	+14.87	3,508,283.57	+155.68
2022	55,017	+14.38	1,372,114.48	-60.29
2021	48,099	(-)4.09	3,455,704.93	+63.24
2020	50,151	+28.24	2,116,913.86	+311.99
2019	39,108	+2.45	513,828.50	+97.69
2018	31,391	+7.65	259,909.75	(-)72.15
2017	29,156	+6.23	933,515.94	+1327.60
2016	27,445	+ 10.08	65,390.34	+129.32
2015	24,931		28,514.37	

Table 1: Comparison of Gold and Bitcoin Prices- Source for Gold prices : forbes.com

Source for Bitcoin prices: statmuse.com

	Year	Price	Change %	Date	Price	Change %
Year	1					
Price	0.918733	1				
Change %	-0.01947	0.158166	1			
Date	1	0.918733	-.01947	1		
Price	0.814839	0.63406	-0.34594	0.814839	1	
Change %	0.319525	0.326933	-0.21455	0.319525	0.343391	1

Over and above the comparison of crypto currency prices (Bitcoin) with the Neo - classical prices, the market capitalization record of the crypto currencies speaks a lot about its growing popularity that is indicated below:

Coin	Market Capitalization	Current Price
Bitcoin (BTC)	\$2.06 trillion	\$104,104.75
Ethereum (ETH)	\$301.14 billion	\$2,494.68
BNB (BNB)	\$92.18 billion	\$654.31
Solana (SOL)	\$80.26 billion	\$153.86
XRP (XRP)	\$125.96 billion	\$2.14
Dogecoin (DOGE)	\$28.42 billion	\$0.1901
Cardano (ADA)	\$23.67 billion	\$0.6698
Avalanche (AVAX)	\$8.62 billion	\$20.40
Shiba Inu (SHIB)	\$7.52 billion	\$0.00001276
Polkadot (DOT)	\$6.34 billion	\$4.01

Source: statisticsanddata.org

Findings: The correlation between the prices of gold and prices of bitcoins, shows a positive correlation inter se 0.63 which is more than 0.5. A steep percentage increase in prices of bitcoins in comparison with gold prices in almost all years (except in 2018, 2022 and Feb 2025) is evidenced. This indicates that the prices of Bitcoins can earn heavy returns in comparison to the Neo - classical investment (Gold prices). This is a strong inclination towards virtual currencies' returns. The growing market capitalization of crypto currencies is a strong proof for the rising

investment in cryptos. Moreover, a high standard deviation in the Bitcoin prices indicate that values (prices of BTC) are far away from the average. This indicates the volatile nature of the crypto currencies. The level of change in prices of BTC in comparison to Gold prices indicate the unpredictability of the market and the worst nature it can adapt as far as price fluctuation are concerned in the future. Heavy trading can lead to imbalance of trade due to lack of government regulations.

Explanation: The study involves conduction of Z test, where

$$H_0: P < 0.50$$

$$H_1: P > 0.50,$$

Where P is the proportion of young investors willing to invest in Cryptocurrencies more than that in gold. Thus, Q is (1-p) that denotes the proportion of investors willing to invest in Gold in comparison to cryptocurrencies. 64% showed inclination towards investing in Gold in comparison to crypto currencies.

CONCLUSION

The data has been collected from 100 young investors to understand how inclined they are to invest in cryptos, the New Age Asset class. 100% of the sample collected were well versed with movement of Bitcoins. 60% Young investors, although quite inquisitive to invest in the cryptocurrencies, but were not sure as to legality view point. 20% of them are still not inclined to invest in cryptos due to lack of government regulations. There is no problem of lack of knowledge on part of the investors. They had an updated information about the cryptos. But at the same time, the young investors are quite comfortable with the Neo-classical investment i.e. Gold. Although they are aware about the block chain technology, and quite curious and updated about the price fluctuations in both gold and cryptos, but when it comes to actual investment, the investors don't portray confidence in cryptos as they are sure for the Neo-classical investment (Gold). 64% of the young investors showed more confidence in investing their hard earned money in Gold as compared to investing in cryptos.

The government made an attempt with "The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021, which was listed for introduction as one of the 26 Bills to be passed in the Winter Session of Lok Sabha on 29th November, 2021. The government intends to create a facilitative framework for the creation of the official digital currency to be issued by the apex Regulator of Money i.e. the Reserve Bank of India" but at the same time intends to prohibit all private crypto currencies in India. It seems that the Government, with certain exceptions would promote the underlying blockchain technology of cryptocurrencies and its uses. Although there was no recognition of Bitcoin as a legal tender in the Lok Sabha Winter Session, but Budget 2022 brought a revolutionary change in the business world as the acting Finance Minister, Ms. Nirmala Sitharaman, read out the Finance Bill validating crypto currencies by bringing a tax of 30% on gains from the transfer of digital assets and also announcing a TDS rate of 1% on any payments towards virtual currencies. The stock market investors saw an immediate boom in the stock prices within few minutes of this announcement. This proved the excitement of the young investors of the entire nation as to their future roadway to New Age Asset class. Till now the lack of government regulation seemed to be the main reason for reluctance in investment in digital currencies by young investors, but with the legalization of crypto currencies the government just wants to ensure the audit trail of the crypto users who don't avoid their duties of paying genuine taxes and contributing to success and development of any nation. Not only this, the announcement that government will shortly come up with its own digital coins in the year 2022-23 itself, gives a level playing field to young Indian investors as against the foreign investors. The business-friendly approach of the government proved to be the mainstreaming excitement to the investors. But at the same time announcing that no deduction or setting off losses will be allowed to any assessee from Income arising from such digital currencies proves that government at the same time controls the system with significant benefits to investors and also maintaining the dignity and protecting the interests of the exchequer.

The growing popularity of crypto currencies can be evidenced by continuously rising market capitalization. Bitcoin is still in its infancy stage, specifically in the Indian scenario. Although it has already spawned a multi-billion-dollar economy that is growing exponentially. There is no trace of Bitcoins being an alternative to fiat currencies, but Mastering Bitcoin can help become part of this vibrant new economy. The fluctuations in price of bitcoins globally can be a major reason for reluctance in adopting the newer version of currencies. On the other hand, Gold has been the touching the sentiments of even many rational investors as investors are comfortable in predicting the gold prices at a more precise level in comparison to the infant Bitcoins and other altcoins. With the shine of Budget 2023, it seems that young investors would be inclined

to invest their savings in the New Age Asset Class i.e. the cryptos as against the Neo-classical assets i.e gold. It can be predicted that in future Cryptos would glitter and shine more than Gold if properly regulated. It can prove the proverb wrong “ALL THAT GLITTERS MAY NOT BE GOLD, IT CAN BE CRYPTOS TOO”

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