

A Study on “Comparative Analysis of Crypto Currency and Share Market: World Wide”

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Abstract

This study conducted a systematic review regarding the association between cryptocurrency and the stock market. This article analyses the possibility for generating indicators of critical and life-threatening incidents in the volatile cryptocurrency market and the regular stock market. Cryptocurrency, a modern Fintech innovation, is now widely popular around the world. Its rapid expansion has already resulted in several public security issues around the world. Cryptocurrency was initially designed as a potential digital currency implementation, and numerous variations were created for usage in a variety of industries, including capital management, business transactions, and even non-monetary applications. This study aims to provide descriptive insights into comparing the cryptocurrency and stock markets.

Keywords: Cryptocurrency, Stock market, digital currency

Introduction:

A stock market is a marketplace where buyers and sellers exchange stocks, which represent ownership stakes in companies. It is sometimes referred to as an equity market or share market. The modern world is undergoing unprecedented financial infiltration as a result of unparalleled technology advancement and internationalization. Investors discovered the stock market to be a safe haven for their investments throughout the global financial crisis and the European debt crisis. However, the rapid growth of the internet, which swiftly connected smart devices all over the world, prompted the development of a number of virtual currencies as a substitute for real money in both trade and speculation.

Cryptocurrencies have a market capitalization of more than USD 2.39 trillion in April 2024. For comparison, the major four—Apple, Amazon, Facebook, and Microsoft—have respective market valuations of USD 3.51 trillion, USD 1.94 trillion, USD 1.43 trillion, and USD 3.16 trillion. Numerous studies have directly compared bitcoin to the stock market, both based on volatility. There is still significant debate over the likelihood of bitcoin replacing the stock market. This article intends to further this area of research by doing portfolio analysis using equities, share markets, and cryptocurrencies across the world's largest economies. Because of the unstable nature of virtual currencies, we want to discover the cryptocurrency with the lowest volatility in terms of tail-end attributes using a non-linear optimization. In the current study, we used a methodology to assess the risk-adjusted returns of the portfolios we developed.

Scope of the study:

In recent years, the public's habit has expanded tenfold. The public expects a significant return on their funds through investments. The public prefers short-term investments, such as cryptocurrencies and share markets. This study aims to analyse the best.

Return calculated utilising the comparative research approach with cryptocurrencies and the stock market as the variables.

Objectives of the study:

- To study the theoretical notions of cryptocurrency and stock market.
- To evaluate the comparative opportunities investment in cryptocurrency and stock market.

Cryptocurrency:

A cryptocurrency, often known as a crypto-currency or crypto, is a digital money that operates via a computer network and is not supported or maintained by any central authority, such as a government or bank. Individual coin ownership records are recorded in a digital ledger, a computerised database that uses strong encryption to secure transaction records, control the generation of new currencies, and verify ownership transfers. Despite the term used to describe many of the fungible block chain tokens that have been created, cryptocurrencies are not considered currencies in the traditional sense, and they have received varying legal treatment in various jurisdictions, including classification as commodities, securities, and currencies. In practice, cryptocurrencies are recognised as a distinct asset class. Some crypto schemes rely on validators to keep the cryptocurrency running.

Bitcoin was the first cryptocurrency, and it was released as open-source software in 2009. As of June 2023, there were more than 25,000 additional cryptocurrencies in the marketplace, with more than 40 having a market capitalisation greater than \$1 billion.

Different types of Cryptocurrency in India:**Cash Bitcoin**

Bitcoin Cash is a cryptocurrency created as a fork of Bitcoin. Bitcoin Cash, which was launched in 2017, is considered an altcoin or bitcoin spin-off. In November 2018, Bitcoin Cash was further divided into two distinct cryptocurrencies: Bitcoin Cash and Bitcoin Satoshi Vision.

Ethereum

Ethereum is the second largest cryptocurrency, with a strong and dominant position in the crypto industry following Bitcoin. Hacked.com (2018) predicts that Ethereum may soon exceed Bitcoin in market dominance. Ethereum is the second-largest cryptocurrency with a market valuation of 21 billion dollars.

Ripple

Ripple can be considered a cryptocurrency as well as a digital payment method. Chris Larsen, a tech entrepreneur, introduced it in 2012. Ripple's currency component, XRP, has a mathematical model similar to Bitcoin. With a market capitalisation of more than \$21 billion, XRP is now the third largest coin in the market.

Litecoin

Litecoin appears to be a major competitor to Bitcoin. Bitcoin mining requires a lot of computing power. On the other hand, Litecoin may be carved using a standard desktop computer. With a market capitalisation of over \$3 billion, Litecoin is now the 7th largest cryptocurrency.

Solana

Solana, a newer cryptocurrency, was launched in March 2020 and advertises the speed with which transactions may be completed as well as the overall robustness of its "web-scale" network. The issuance of the money, known as SOL, is limited to 480 million coins.

Toncoin

Telegram, the encrypted messaging app, produced Toncoin, which was launched in 2018. Telegram abandoned the project, which was then taken over by the TONNE Foundation. Toncoin's price skyrocketed in 2023 after Telegram stated that it would include a TON-based wallet on its network.

Table 1.1

Data – Base Analysis

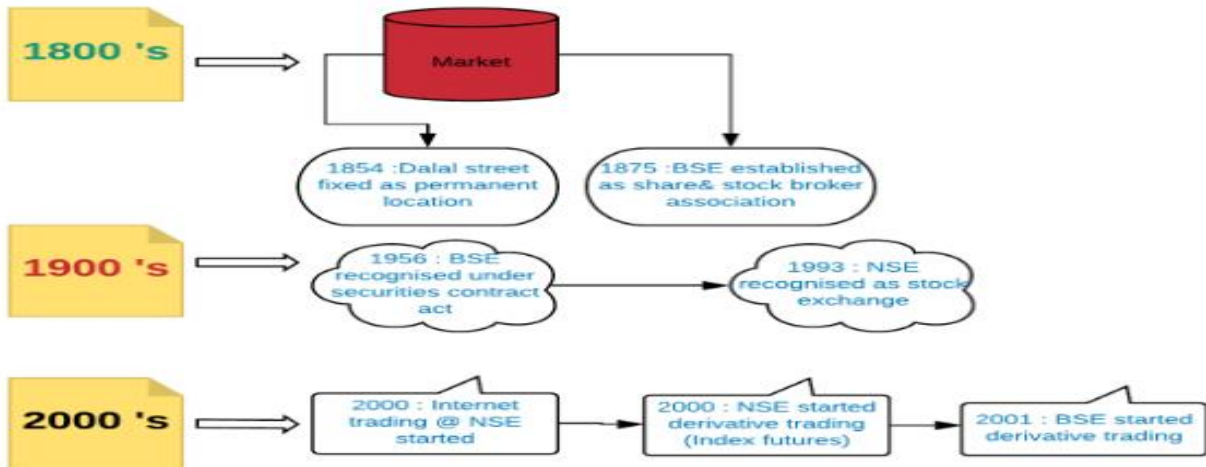
Types of Cryptocurrency	Price in Dollar
Bitcoin (BTC)	\$67.81 K
Ethereum (ET)	\$2.54 K
RIPPLE	\$0.53
LITE (LTC)	\$71.58
Solana	\$173.03
Toncoin	\$5.12
Bitcoin Cash	\$370.10

Source: Collected from Secondary data

Share Market

A stock market, equity market, or share market is the gathering of buyers and sellers of stocks (also known as shares), which represent ownership claims on businesses; these may include securities listed on a public stock exchange as well as stock that is only traded privately, such as shares of private companies sold to investors via equity crowdfunding platforms. Investments are typically undertaken with an investment strategy in mind.

People that invest in the stock market have short-term objectives. Investing in the appropriate shares can lead to quick profits, especially in volatile circumstances.



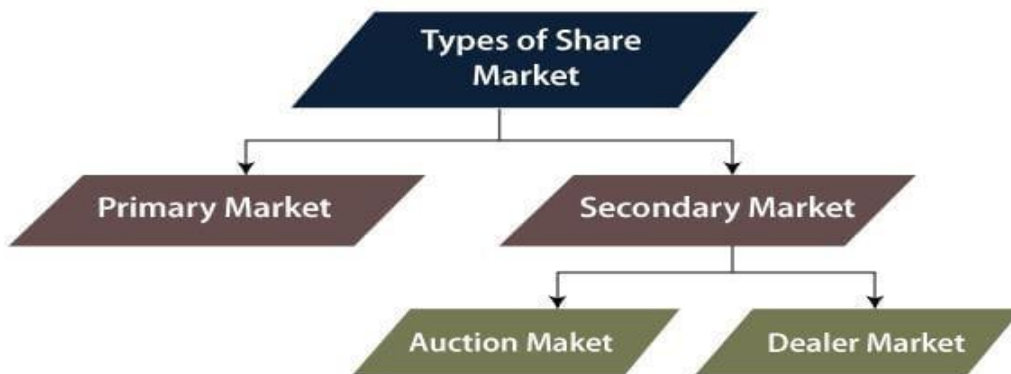
In the past, stockbrokers would assemble around Banyan trees to conduct stock transactions. As the number of brokers increased and streets got more congested, they were compelled to relocate. In 1854, they relocated to Dalal Street, which now houses the Bombay trading Exchange (BSE), Asia's oldest trading market. The first stock exchange in India, it has since played an important role in the Indian capital markets. The BSE Sensex is a key indicator of India's economic and financial health. Both exchanges quickly switched from open outcry to computerised trading.

This demonstrates the long history of India's stock markets. Investing in the stock market can seem daunting at first glance. Once you start investing, you'll realise that the essentials are simple. Financial planning is one of the fundamentals of investing.

Basics of Share market

A stock market is comparable to a share market. The stock market allows for trading of financial items such as bonds, mutual funds, derivatives, and company shares. A share market only permits trading of shares.

The stock exchange serves as the primary venue for trading firm stocks and securities. A stock can be purchased or sold only if it is listed on an exchange. It serves as a meeting point for stock buyers and sellers. India's leading stock exchanges include the Bombay Stock Exchange and the National Stock Exchange.



THERE ARE TWO KINDS OF SHARE MARKETS – PRIMARY AND SECONDARY MARKETS

Primary Market

Newly issued securities are sold in the primary market and then traded on the secondary market. This is done to allow investors to sell their shares and receive their money back. Secondary market transactions occur when an investor buys shares from another at the going market price or a mutually agreed upon price.

Secondary Market

The secondary market is where investors buy and sell previously issued financial products like stocks, bonds, and derivatives. It differs from the main market, in which new securities are issued and sold to the public for the first time.

Financial Instruments in Stock Market

Below are the main four key financial instruments that are traded in Stock market:

- 1. Bonds
- 2. Shares
- 3. Derivatives
- 4. Mutual Fund



Results and Findings

Table 2.1

Market size/Growth of Indian Crypto- Worldwide

Type of Cryptocurrency	Market cap	Growth rate
Bitcoin (BTC)	\$1.31 Trillion	26.2%
Ethereum (ET)	\$302.74 Billion	42.04%
RIPPLE	\$29.83 Billion	31.46%
LITE (LTC)	\$5.38 Billion	18.92%
Solana	\$81.41 Billion	3.57%
Toncoin	\$13.00 Billion	5.4%
Bitcoin Cash	\$7.32 Billion	44.67%

Collected from secondary source: Data of 2024

The market capitalisation and growth rate of cryptocurrencies vary depending on the cryptocurrency. According to the table, bitcoin is the leading cryptocurrency in the Indian market as well as over the world. LITE (LTC) and Bitcoin Cash have smaller market capitalisations, but they are growing. Ethereum (ET) and RIPPLE are gaining traction. Bitcoin (BTC) and Ethereum (ET) are the most popular cryptocurrency.

Table 2.2

Market size/Growth of Financial Instruments-Worldwide

Type of Financial Instrument	Market cap
Bonds	\$119 trillion
Shares	\$111 trillion
Derivatives	\$1 quadrillion dollars
Mutual Fund	\$ 553.80 billion

Collected from secondary source: Data of 2024

Financial Instruments have different market capitalisations and growth rates. According to the table, derivatives are the leading financial instrument in the world wide. Shares and bonds rank second among investors globally. The stock market is also one of the most important and largest market capitalisation holding instruments. We also see

good growth in this. The people has to Think carefully about their risk tolerance and avoid investing solely based on yield. There is some factor in macroeconomic risks.

Table 2.3**Comparative analysis between Cryptocurrency and Share market**

Variables	2023	2024	Growth Rate
Cryptocurrency	50%	56.18%	10.2%
Share market	26.3%	32%	7.8%

Collected from secondary data: Market Size 2024

The market size of cryptocurrency and share market is in non – linear progress. Since, the growth rate is different in sequence. Cryptocurrency possess maximum market share with (56.18%) and share market (32%).

Suggestions

- Share market should improve similarly to cryptocurrencies to achieve linearity.
- SEBI's share market regulations should be liberalised to boost EPS.
- Investors deviate from the policy and returns, despite similarities in the fundamentals. The deviation may have been investigated by increasing the return on the stock market to the same level as cryptocurrencies.
- The stock should be decentralised and digitalised to follow government and SEBI regulations.
- Cryptocurrency and the stock market can help investors estimate fair returns through applications.
- The intermediaries should provide them with solid information and addressing their concerns.

CONCLUSION

Cryptocurrencies are almost usually made to be resistant to governmental manipulation and control, despite the fact that this essential aspect of the industry has been criticised as it has grown in popularity. Collectively referred to as "altcoins," or "shitcoins," the currencies that are modelled after bitcoin include often make an effort to portray themselves as enhanced or altered forms of bitcoin. Additionally, proceeds from the purchase and sale of Bitcoin must be reported as capital gains, just like proceeds from the purchase and sale of other commodities.

To lessen risk in the stock market, investors spread their assets over multiple companies. This involves aggregating small investments into larger ones. The stock market offers a low-cost, skilfully managed portfolio, making it ideal for regular investors.

The researchers concluded that cryptocurrency dynamics are similar to stock market dynamics. Our analysis shows that the bitcoin market is more resilient and has a more clustered structure than stocks. To study cryptocurrencies and the stock market, the researcher Cryptocurrency allows investors to estimate fair returns. The stock market should provide investors with applications that predict fair returns. This may provide some information about monetary policy, regulation, and law.