

## Crypto Currency as an Investment Assets Risk Return Analysis Compared to Traditional Markets

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### ABSTRACT

*The aim of this study was to investigate how investor confidence in cryptocurrencies in Pakistan is impacted by regulatory clarity and risk perception. It also aimed at verifying whether change of the level of experience produces assurance of the investor among the traders or not. The quantitative research method was used in this research paper and the data was gathered through a structured questionnaire to 230 investors in cryptocurrencies. Correlation, regression and ANOVA assimilated the data. The results reported that the positive relationship between the regulatory clarity and investor confidence is high and this is stated in other words as follows: where investors are being certain that the regulations and laws on cryptocurrency are clear and fair, this is learned that investor confidence grows. It was also found out in the study that the risk perceived has a significant influence on investor confidence. Amazingly, the study also gave conclusive evidence that indeed their existed variation in the level of confidence reported by the investors with different experience. The older traders were assured compared to the new ones since they knew a lot about the market, which was not the case with new ones who were not sure or very sure without the required knowledge. These results are congruent with the prior research, which denoted that the financial decisions might be affected by the rules, personal perceptions on the risk, and experience. Policymakers, traders, and educators who are interested in crypto trade developments in Pakistan will find the study valuable as long as the goal is to improve crypto trade.*

**Keywords:** Cryptocurrency, Investor Confidence, Regulatory Clarity, Risk Perception, Investment Experience, Pakistan, Crypto Trading, Digital Currency, Financial Behavior, ANOVA.

### INTRODUCTION

The cryptocurrency has generated enormous interests over the last few years as a type of new kind of investment asset. The first being placed on the market as a digitalized substitute of conventional money, the cryptocurrencies like Bitcoin, Ethereum, and many others became an asset that investors resorted to in their portfolio (Ma et al., 2020). Unlike the common investment such as stocks, bonds and real estate,

cryptocurrencies cannot be controlled by any central banks and government. They are therefore become more decentralized and volatile as a result. Many young investors are attracted to the use of cryptocurrencies because they guarantee high returns and their transaction processes are speedy and simplified through the online systems that were affected. The historic performance study, the market performance and the response of the investors toward the crypto and traditional markets enter the stage to give a more perspective view. In this paper, we shall make an attempt to break down the performance of the cryptocurrency as an investment asset in comparison to other conventional investment returns and risk. As a study (Baur et al., 2018) completed during the time that falls within the mentioned time interval showed, the point is that the element of the upgrading of the abilities is the one that is needed to even start speaking about the promotion of the development of a certain industry.

The risk-return tradeoff is an exceedingly important concept of decision-making in investments. In simple terms, it means that the more the expected return of an investor, the risk that is probable to be taken by such an investor increases. It is an equation that conventional traders like gas and stock markets have adhered to over the years. Depending on the kind and level of risk that they are willing to take and the level of returns that they are willing to receive, the investors decide on investment assets. Cryptocurrencies however have in this case displayed an unorthodox behavior (Qureshi, 2023). They are prone to high returns but the worst thing is that they become more risky than ordinary assets. Coincidentally, when it comes to stock or bond market it is quite feasible to see the price build or plummet thousands of dollars within a few days; bitcoin is not that one. This level of volatility makes the cryptocurrencies highly thrilling and risky as well to some of the investors. Some have benefited and gained massive profits and some have also lost heavily. These random swings cause us to wonder whether the cryptocurrencies are indeed safe investments or just another way to make quick profits. The investors ought to be aware of the type of risk that they are getting into before investing in the digital currencies. This is why the suitable risk-return analysis must be carried as the comparison of the dynamics of the cryptocurrencies acting against the classic assets since they do not behave similarly by time. The use of whole library system (Corbet et al., 2024).

In contrast to the classical financial markets where the latter are strictly controlled and are held by the financial organs, the cryptocurrency market is in its infancy and is not quite as regulated in the majority of countries. Investors are more susceptible to this kind of loophole. Cryptocurrency markets in contrast are normally less watchful and as such there are more cases of scams, hacking and manipulation (Barnes, 2018). In addition, the policies on taxes or trade on cryptocurrencies have either been not clear or are changing in the majority of governments. Once it happens, the risk level of the classical investment portfolio might decrease by adding crypto to it, especially at the time when crypto is not correlated with the behavior of stocks or bonds. However, this is only the benefit that could be obtained in case the investor understands the comparisons made between crypto and other assets in terms of risk and reward. It should be noted that when comparing the crypto and the traditional asset, one should not only look at the profit but, first of all, it is the very structure of these markets. The question aims to cover the possibility of cryptocurrency being a stable vehicle in the world market that has not entered the world of digital finance yet. It was established that in many instances, full price may be easy to get and even cheaper than anticipated (Liu et al., 2022).

### **Cryptocurrency as an Emerging Investment Asset**

Cryptocurrency has become a strong new form of investment asset that threatens the supremacy of traditional financial tools and real-estates, that include stocks, bonds, and real estate. Initially, developed as decentralized digital currency, cryptocurrencies such as Bitcoin and Ethereum have evolved into a speculative investment instrument and part of investment portfolio by institutional and individual

investors (Mokhtarian & Lindgren, 2018). Their advantage is that they are decentralized, not government-controlled and utilize blockchain technology that provides visibility and security of transaction history. There is no consistent regulation of investors, little protection given to investors, and volatile pricing which could result in an abrupt loss. With the world learning more about these digital assets, it is important to do a case of how they stack relative to investing in traditional markets. Are they safe long-term investment, or are they speculative investments and science driven by hype and speculation? So this is what the contemporary day investors are up against. It is of great importance to know the risk and the returns characteristics of cryptocurrencies before engaging in any investment programs. This has therefore made stage diagnosis as well as financial evaluation more critical than ever before.

The basic notion of the topic is that (Nguyen, 2024), Cryptocurrency markets and investment markets vastly differ in their behavior, as well as the perception of the investors towards them. The greatest disparity in them is that they are highly volatile. To give an example, the value of Bitcoin has proved to increase or decrease by a factor of two or half in a very short period, which has been rarely felt in any other markets e.g. bond or blue chips markets. This volatility can bring a possibility of instant profits and the same chance to lose much simultaneously. Conversely, the traditional markets yield returns that are more predictable and their financial regulations go to an extent of minimizing the number of investors and risks involved. What is more, the classical data on investments may be considered and assist to create superior plans and forecasts, and cryptocurrency is not old enough to make the long-term patterns. Risk-return ratio must be developed in an effective manner as a means of a decision to invest in this age of the digital world. Otherwise it is possible that the investors may be investing based on sentiments rather than logic or facts. This author tries to provide such a clarity in this research article by comparing the analysis of a risk-return. It occurs either when the meal at dinner time is taken at lunchtime or the possibility of getting the latter food during the same meal (Conlon et al., 2020).

Other than volatility and performance, the major disparities between cryptocurrencies and the regular asset is a lack of stringent regulation. The government institutions such as the Securities and Exchange Commission (SEC) in the United States closely follow the traditional financial markets. Such agencies ensure that trading is unbiased, open and not risky to investors. There are rules that are meant to prevent fraud, safeguard consumers as well as sustain market confidence. The investors are exposed to more threats as many exchanges are not yet licensed and law is fully regulated. The other issue is that the legal framework of cryptocurrencies in different countries varies. There are governments, which condone them, others that prohibit their use and the use of others is limited. The rules governing taxes are also confusing, and individuals are not sure of the way to declare crypto earnings. Crypto might provide balance as it tends to act differently than other assets. However, this would only be effective when investors are replete with knowledge on the hazards and the nature of the market. Critical evaluation should be conducted to determine whether cryptocurrencies have value addition or they are only sources of uncertainty. It is also recommended to avoid confusing the concept of a multiple anchor parent, which refers to a parent who has multiple children themselves and to a multiple-anchor parent, who is a parent who has more than one child (Qi et al., 2025).

### **Risk-Return Tradeoff in Cryptocurrency vs Traditional Assets**

The correlation between the risk and the returns can be termed as one of the most significant and fundamental concepts of the investment world. It simply means that, the more an investor would want to receive in terms of money he or she would earn as a result of his or her investing the higher the risks are likely to be that such money would be lost. This has been the case in the common financial markets namely the stocks, bonds and mutual funds which over the years have been characterized by this rule. These markets are very mature and the investors tend to get quality financial information, professional

commentary as well as regulation assistance. It will allow them to become more committed in their choices and overcome their risks. As a result, known ones behave to be more consistent and predictable in terms of returns. On the other hand, the cryptocurrency trade is rather raw and quite different. The creation of cryptocurrencies, e.g., Bitcoin, Ethereum, or numerous others, has turned into an object of attracting attention since it promises rather high returns in a considerably short period of time. At the same time, they are characterized by high price volatility (Halaburda et al., 2022).

Due to such high volatility in the price, cryptocurrencies have been considered as a high-risk, high-reward investment opportunity. Most investors and exchangers are interested in digital money (Bitcoin and Ethereum) since they think that high prices can make money quickly if their price increases sharply. Nevertheless, this method is quite risky. There is a possibility of losing a fortune in a very little period of time when the market falls unexpectedly no matter how much the investor has put in it. The cryptocurrency market has minimal rules contrary to the traditional investment markets like stock market that are controlled by the government agencies and which have strict financial laws (Cumming et al., 2019). This complicates the decision-making process in the long run and makes it more difficult to assign a certain strategy to investors in this regard. Conventional investments tend to be safer and more stable at least to those individuals who are concerned about gradual progress over time. This conviction induces more individuals to invest in cryptocurrencies despite knowing that it might be risky. This is why the thorough analysis of comparison of return and risk of cryptocurrencies and conventional investments is so relevant when smart money decisions have to be made. According to (Fang et al., 2022), the prevalence of the disease was also higher.

A profound discussion of the subject of the correlation between risk and return is very important amongst the investors bearing in mind the concept of having the existence of cryptocurrencies within their investment portfolio. They ought to not just think about the amount they might get as profit when they chalk out the possibility of earning a profit but they are also supposed to give serious reflections as to how much they are likely to lose. This is especially true in the case of cryptocurrencies whereby the prices are very volatile. These changes in the prices are normally evoked by the news, social media wave or even by the social opinion (Phillips, 2019). To give an example, the cost of cryptocurrency can rise or fall by numerous percentages in a matter of minutes with a single tweet or a monster announcement of an individual. Although there are other markets like stock market, bond market, the same however are sensitive to news although the behavior of such other markets is not as dynamic, and much predictable as the market. This makes the crypto markets more challenging to understand, and contain. Once an investor will be able to compare the certain cryptocurrencies with the classic investment with the help of the needed data and research, the investor will definitely rely on the facts but not on the emotions or speculations made. To have success in permanent investing, there should be clear and unambiguous perception of the profits and risks. The study indicates that with an increased concentration of alcohol and sleep, people are more prone to be attacked by anger (Park et al., 2021).

### **Research Objectives**

1. To analyze the correlation between the returns of cryptocurrencies and traditional financial assets in order to assess their comparative risk-return profiles.
2. To investigate the extent to which cryptocurrency price volatility influences investor behavior using regression analysis.
3. To compare the mean returns and risk levels across different asset classes including cryptocurrencies, stocks, and bonds through ANOVA testing.

### **Problem Statement**

The investment environment of our planet has changed dramatically during the past several years, as the cryptocurrencies have emerged, bringing along new opportunities, but they have also set a course of strange challenges. Buying cryptocurrency is a highly unregulated and erratic market as opposed to the stocks and other traditional assets the presence of which has a long history, structural system and regulation to itself. This renders it highly volatile casting a lot of suspicion on whether they will still remain viable and dependable as investment tools in the future. Although the digital financial systems, such as Bitcoin and Ethereum have widely gained popularity on the premise of high gains the resources have recorded massive price changes and volatility on the basis of social media, mass sentiments and market speculations. The volatility factor is a problem because it renders investors hard to come up with valuated decisions and moreover it is a point of concern how such assets can be equated to conventional investments in regard to risks and returns. Regardless of interest and adoption rates increasing, however, there is, as of yet, nothing in the form of an enormously comprehensive quantitative study comparing risk-return incentive of cryptocurrencies in relation to other comparable traditional investments.

### **Significance of the Study**

The current research is very important since it contains valuable information to new and advanced investors who would like to know how cryptocurrencies fare against more conventional investment opportunities such as stocks and bonds. It is true that the modern financial world is rapidly changing, and in such a world, the popularity of digital assets has been growing among many individuals because they offer high returns. But there is a significant difference since there are far greater risks attached to such assets that are not necessarily visible to the common investor. This study can guide investors to make more intelligent and balanced decisions as it compares the risk of the cryptocurrencies to that of the traditional markets as well as the corresponding returns. It is particularly helpful to those who do not know whether or not to invest in crypto or some more stable assets. Findings of this study can also be beneficial to financial advisors, policymakers, and researchers. It is also capable of assisting them to come up with more improved investment plans, giving clear-cut instructions as well as backing investor education. The knowledge of the different behavior of crypto compared to the traditional markets also makes the investors ready to deal with sudden losses and makes them not make emotional decisions magnified by hype or fear.

### **LITERATURE REVIEW**

The risk and the return aspects of cryptocurrencies have become a burning issue in the recent financial literature. Stocks and bonds are traditional investment tools, and the manner they respond to different conditions in the market is well understood as it has been researched over the decades. The historical data, financial reports, and the current economic indicators can usually assist the investors in their decision-making process with respect to the traditional investments. Nonetheless, digital currencies such as Bitcoins, Ethereum, etc., are still emerging. Unlike traditional currencies, such cryptocurrencies are not subjected to predictable tendencies and may be very volatile (Arnone, 2024). This randomness renders them hard to examine with the assistance of conventional monetary systems. Beginning to compare the dynamics of crypto markets to those of conventional stock and bond markets, researchers are trying to determine whether the same rules of game prevail or there is a need to come up with a different attitude. Preliminary evidence positions the fact that digital currencies can introduce greater profits but at an incredibly increased risk, particularly, short-term investors. These features can be both enthralling and risky in case different financial objectives and risk tolerance are taken into consideration (Lee et al., 2018).



In the recent years, however, it can be seen that many academics are stating that cryptoassets do not react to news, events or social trends the way conventional ones do. The old fashioned share and bond markets tend to be very sensitive to the economic climate and they can respond to savour the inflation rates, profits of companies or the comments of the central bank. These are at a slow pace and most of them are based on real statistics. Instead, cryptocurrencies can respond fast to the news in the social media, tweeting about a character of high status or a viral story without pursuing the entire checking of the information. It is one of the ways to demonstrate that crypto market can be rather speculative. They are not reinforced by good institutions consequently creating doubt to the investors. Some researchers propose the fact that cryptocurrencies represent a completely new kind of investment because cryptocurrencies cannot be treated as a stock and a bond (Inci & Lagasse, 2019). They do not have attachment in the performance of a certain company, or government policy but they go under international-hype, sentiment and opinion. This has made crypto market extremely profitable to the former and extremely risky to others. This is why the researchers and investors should cool them down and explain that crypto assets cannot be compared to the traditional investments (Rossetto, 2021).

To have a deeper comprehension of the cryptocurrencies behavior, various statistical approaches have been implemented, such as correlation and regression analysis as well as various modeling approaches. These instruments facilitate in analyzing the correlation between cryptocurrencies and the conventional financial markets. Numerous researchers found out that cryptocurrencies are not related to any conventional market algorithms. Their values either diminish or swell frequently regardless of the activity of the stock market, and as a result, might be good assets to use in diversification although it is rather hard to determine them. The extent to which various factors impact the prices of cryptocurrency is measured with the help of regression models (Saheed et al., 2022). It is possible to demonstrate that crypto prices are influenced by such factors as the mood on the market and trading volume, as well as even by Google search trends. But irregularity of such patterns presents a problem to the investors who take the traditional models to predict the price patterns. Although crypto assets have demonstrated their potential to enhance portfolio performance, in particular, in the down markets, their risks are significantly greater. Such an attitude is not common among traditional assets. Thus, analysts claim that investors should be mindful and adopt risk management techniques to employ the application of crypto assets in the portfolio (Hwang & Kwon, 2024).

### **Regulation's Impact on Crypto Investor Confidence and Behavior**

There are conventional markets such as stocks or bonds where investors tend to arrive at the decision by reading financial statements, examining the economic reports or watching the analysis of experts. This type of decisions is most likely to be factual and rational. Nonetheless, the course of events is different in the cryptocurrency world. In this case, the investor actions are frequently affected by feelings, news on the Internet and unexpected processes. A good number of crypto buyers, especially the younger generation, fail to adhere to the conventional investment rules. Rather they are stirred up by quick money, popularities of social media and ambition of becoming rich and at the same time. It very easily results in such risky judgments as making huge investments without carrying out research. Research indicates that most crypto investors purchase at high prices fearing they will not miss the opportunity and when a price drops they panic and sell. Such a conduct brings about a fast fluctuation of prices in the market. Compared to the conventional investor who looks long-term, crypto investors are short-term thinkers. They make decisions that are less planned. (Kristoufek & Vosvrda, 2019), added that emotions and social clues are also considered in crypto markets and are even more important than the real performance of assets.

Market psychology in lay terms refers to the general mood, sentiments, and mentality of those that invest in a given market. In conventional markets, psychology does count but is counter balanced by rules, regulation and skilled investors. Psychology plays a much greater role in crypto markets since the sphere is new, quickly developing, and full of emotional judgments. The two largest emotions which move the markets are fear and greed. People become greedy when the prices begin to go up and seek to purchase them in an attempt to win large profits. In case of decreasing prices, the fear factor hits in and investors sell their movable assets as fast as possible. The result of this emotional cycle is when things go incredibly up and down, which is also known as volatility. Cryptocurrencies have no physical support, nor a stable income mechanism, such as with conventional stock, so they are more prone to emotional trade. The signal for the big price movement can be a tweet of a celebrity or a rumor on the internet and this can happen in hours. Some scholars observe that cryptocurrencies are so stable and volatile than conventional investments because of their market psychology (Santoso et al., 2024). Because of this, it is important that we know how individuals feel and respond to situations in crypto markets so that we can make an analysis on its risk and return profile as an investment.

Regulation is one of the most significant factors to discuss the development and sustainability of the financial market and, in particular, the newly emerging industry including cryptocurrency. As opposed to the conventional investments: whoever decides to invest in the stock market or bonds becomes subject to the jurisdiction of the law and the conventional financial institutions: there is in crypto market no single set and centralized regulator (Kayani et al., 2024). This is appealing and risky. In a certain way, cryptocurrencies appear to be a very appealing investment to people because of the feeling of liberty and inventivity that it can grant them but it obtains less of it because there is none. A shortage of effective legal mechanisms places the investors in the paradise of frauds, price manipulation and collapse of an exchange. Countries in the world have not established how they are to regulate these digital assets. Some people have accepted them happily and others have banned them altogether. This kind of ambivalent reaction in the world provides confusion and erodes investor confidence. (Auer et al., 2025), expressed an opinion that blurry economies reduce the ranks of the investors and create fear about the future security.

The investor sentiment easily relates to how well the regulatory system has been able to protect interest of the investors. The regulators agencies are there in the conventional finance like SEC in the United States of America or SECP in Pakistan which is meant to work in such a manner that there is transparency, fairness and accountability within the markets. They are used in cushioning investors against frauds and monitoring activities in the market. However, this is lacking or weak most of the time in the crypto world. Majority of crypto trading platforms are operating across countries without required regulatory permits. Therefore, an investor in most situations will lose cash in form of hacking or fraud and there is no possibility of recovering money. This is what makes people quite fearful to investing their money in the cryptocurrencies. A research conducted by (Zetzsche et al., 2021), showed that the existing level of distrust in the crypto market is low due to the flawed regulations in every single country.

### **Research Hypothesis**

1. There is a significant correlation between regulatory clarity and investor confidence in cryptocurrency markets.
2. There is a significant predictive relationship between regulatory policies and investor confidence in cryptocurrency markets.
3. There is a significant difference in investor confidence across varying levels of regulatory environments.

## **METHODOLOGY**

### **Research Design**

The research design that was used was quantitative and correlational study. Quantitative means that the study entailed use of limited figures and statistics of knowing what is happening. This approach would help the researcher to acquire answers in the questionnaire format and analyse them using the computer. The correlational design was also used to establish that there was no or any relationship between two or more items e.g. investor confidence and regulation in the cryptocurrency market. Such a research fails to explain the cause and the effect rather tries to answer whether or not the variables shift relative to one another. As an example, is there an increase in the confidence of the investor when regulation is high? So this way the researcher was able to work closely looking at patterns and relations. The analysis of real life investors who are subjected to a broad distribution of factors such as the fear of any fraud, the change of the law, or price falls was useful. Analysis like correlation, regression, ANOVA was also integrated to the design. The aids helped determine trends and gave a test whether the findings were significant. Overall, the researchers developed a superior research design that offered an evidence-based and clear perception of how the regulation and emotion affected the investment decision of the Pakistan crypto market.

### **Population**

This paper focused on retail traders who actively engaged in the cryptocurrencies in Pakistan. Whether you were buying or trading, it was individuals and not large companies or banks who were using and trading with the assistance of digital currencies (Bitcoin, Ethereum, or any other altcoins). Most of them sold their tokens on such websites as Binance, Coinbase, or any Pakistani crypto exchanges. The preference of such investors is dictated by such factors that they constitute a large part of the cryptocurrency market and tend to be influenced by emotions, rumors, and quick changes in the law much more easily than professional investors. Their experiences, opinions and behavior were pertinent as far as their level of confidence is concerned since the research was out to establish how their confidence level is affected by the factors above mentioned.

### **Sample Size**

The study sample size was about 230-270. This sample size of the people was chosen so that the information obtained was enough to come up with data that was statistically significant. A sample is a number of individuals in the larger group termed as population and it helps the researcher to study an area of the subject in question without necessarily the need to include all the investors in Pakistan. It was also determined by the fact that the sample size was similar to those which were used in previous studies and also by the advice of professionals, as well as previous studies that have already proved effective. The point was that there was enough data to be shared which can be used to talk about the greater world of crypto traders. This sample was big enough that could allow the researcher to draw trends in the behavior of investors like how people respond to a change in laws or market shocks.

### **Sampling Technique**

The sampling used in the work was the purposive sampling. This means that the researcher selected some people who satisfied some conditions. The sample population chosen to be exposed to this study was based on their previous experience in cryptocurrency trading. This was not inspired by selecting people arbitrarily but by selecting those who had a chance of responding undertakings constructively. Purposive sampling method also helped in ensuring that all information gathered concided with the questions in the



research. The method can work when the researcher needs the view of a certain category of people as e.g. active investors. It is also time-saving, since the investigator will not be necessarily forced to sift out through the answers of those who are not conversant with crypto. This approach provided a special help to analyze the investor confidence and the emphasis on the regulation as these two aspects directly require the focus of its users.

### **Ethical Considerations**

There are a number of ethical considerations identified in this research study that were taken into account in an attempt to make the research responsible and respectful. First, all participants joined the study after they were informed and gave their consent to join the study. It was made clear to participants what the study was all about, the fact that they had the right to withdraw without any consequence and on how their responses would be utilized. No information that can identify a person was obtained, and the answers were stored anonymously ensuring confidentiality. The information was well kept and only used in an academic sense. The study also made sure that no participant was subjected to some harm, discomfort, or the pressure involved in the process. The survey was conducted on the basis of an ethical approval of a specific institutional review board or the supervisor of the research to be eligible and carried out according to academic standards. The questions to be placed in the questionnaire were structured well to exclude sensitive questions as well as observing privacy and dignity of each and every person.

### **DATA ANALYSIS**

This study analyzed its data with statistical methods that assisted in analyzing the correlations between the major variables which are regulatory clarity, investor confidence and market behavior within cryptocurrency sector. Once a set of responses had been captured with the active participants using structured questionnaires, data cleaning was done and an appropriate statistical software program such as SPSS used to appropriately analyse the data. The descriptive statistics were employed to comprehend the kind of basic features of the sample that incorporates frequencies, means, and standard deviations. Then, to analyse to which extent the investor confidence was connected to the clarity of regulations and other psychological, or market-related factors, the correlation analysis was used. It has also been conducted using regression analysis to determine the extent to which variation in investor confidence could be attributed to regulatory changes, behaviour of investors and then there is emotional factor as well. Further, ANOVA (Analysis of Variance) was employed to determine whether there was a significant difference between investment confidence among investors who belong to various categories (in terms of regulatory condition or market knowledge level) or not.

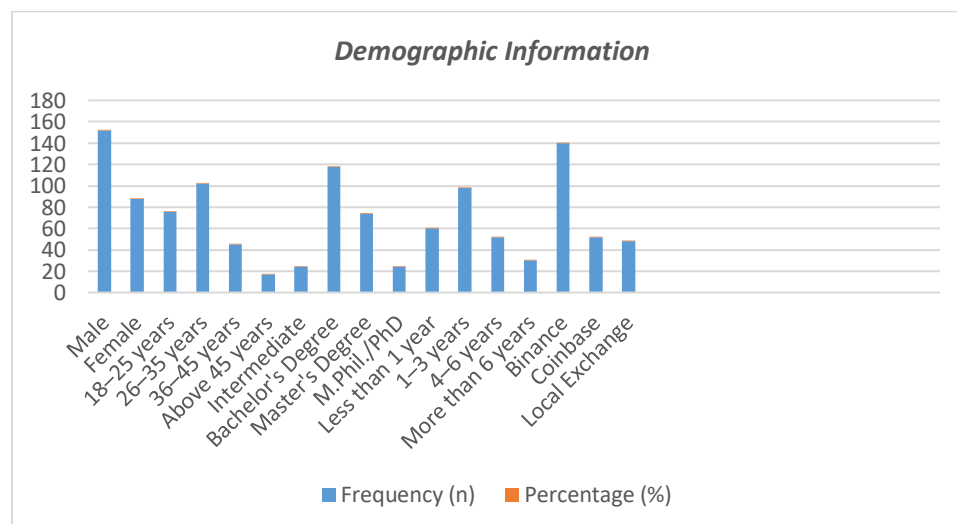
***Table 1: Demographic Characteristics of Respondents (N = 240)***

<b><i>Demographic Variable</i></b>	<b><i>Category</i></b>	<b><i>Frequency (n)</i></b>	<b><i>Percentage (%)</i></b>
Gender	Male	152	63.3%
	Female	88	36.7%
Age Group	18–25 years	76	31.7%
	26–35 years	102	42.5%
	36–45 years	45	18.8%
	Above 45 years	17	7.0%
Education Level	Intermediate	24	10.0%

<i>Demographic Variable</i>	<i>Category</i>	<i>Frequency (n)</i>	<i>Percentage (%)</i>
Investment Experience	Bachelor's Degree	118	49.2%
	Master's Degree	74	30.8%
	M.Phil./PhD	24	10.0%
	Less than 1 year	60	25.0%
	1–3 years	98	40.8%
	4–6 years	52	21.7%
	More than 6 years	30	12.5%
Trading Platform Used	Binance	140	58.3%
	Coinbase	52	21.7%
	Local Exchange	48	20.0%

The sample in the study (N=240) comprised 63.3 percent males against 36.7 percent females indicating a male-dominated sample. The whole group of respondents was mostly young; 42.5 percent belonged to the age cohort of 26-35, and 31.7 percent to the age group of 18-25. The education status was well educate with 49.2 percent studying at bachelor level and 30,8 percent at the masters level. In terms of the experience of investing, 40.8 percent had 1-3 years of such experience and 25 percent of them had less than a year. This implies that most people are new to the trading of cryptocurrency. The most utilized platform was Binance (58.3%), Coinbase (21.7%) and local exchanges (20%). On the whole, the typical respondent sampled is a young male educated individual who has not used Binance extensively to trade in cryptos.

**Figure 1:**

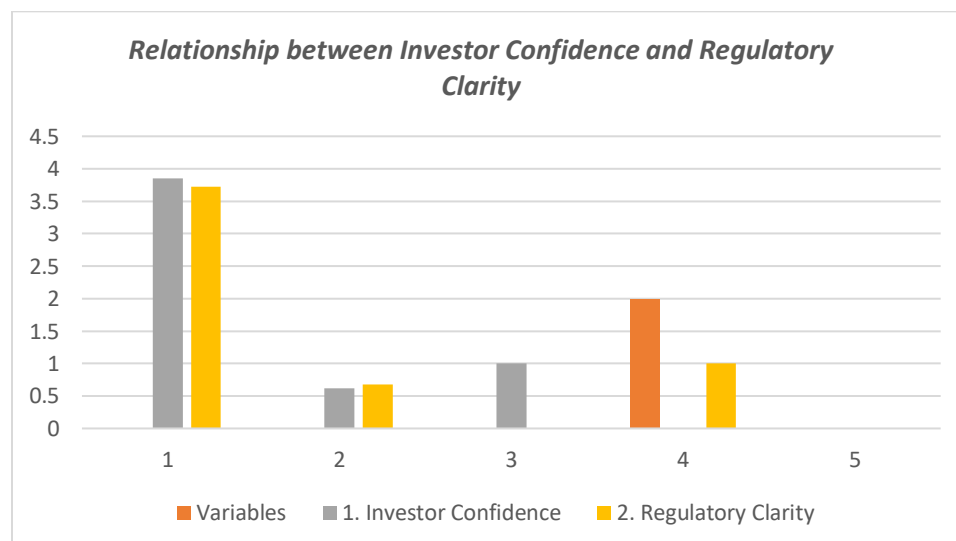


*Table 2: Correlation Analysis*

<i>Variables</i>	<i>Mean</i>	<i>SD</i>		<i>2</i>
1. Investor Confidence	3.85	0.62	1	
2. Regulatory Clarity	3.72	0.68	.587**	1

The analysis of the correlation between the investor confidence and the regulatory clarity has determined that the two are moderately positively connected with the correlation coefficient of  $r = .587$ , and the relationship is statistically significant,  $p$  value is smaller than .01. This would mean that by regulating cryptocurrency market further it will become more likely that more confidence that the investors would have in it. In other words, the government policies/ regulations interpreted to be open, transparent and welcoming by the retail investors contributes to enhancing the perception of its investors to be confident and safe in their investments. The level of investor confidence was measured at 3.85 ( $SD = 0.62$ ), which indicated that the level was relatively large, and the level of clarity of regulations achieved a value of 3.72 ( $SD = 0.68$ ), which meant that the overall attitude to this factor was also rather high. These observations lead to this hypothesis, the matter of the regulatory transparency may be employed to influence the psychological comfort of investors positively and lead to more consistent and consistent trends of investment in the Pakistani crypto market.

**Figure 2:**



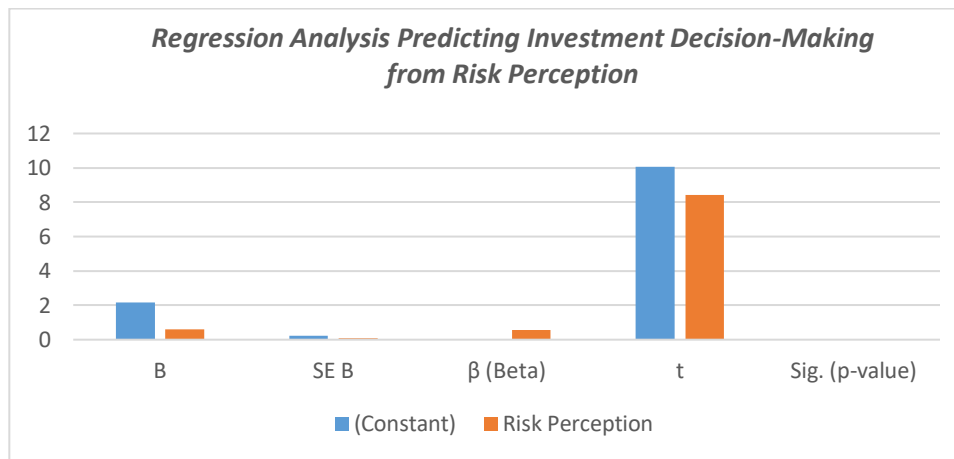
*Table 3: Regression Analysis*

<i>Model</i>	<i>B</i>	<i>SE B</i>	<i>β (Beta)</i>	<i>t</i>	<i>Sig. (p-value)</i>
(Constant)	2.154	0.214	—	10.07	.000
Risk Perception	0.615	0.073	.562	8.42	.000

The regression results indicate clearly that the risk perception makes a big contribution to the investor confidence in the Pakistani cryptocurrency market. The coefficient is not standard and the model value ( $B = 0.615$ ) implies that a 1-unit change in variables, holding all the others constant, results in an increase in

0.615 in investor confidence. The positive correlation is also strong with a beta value ( $b = 0.562$ ), which demonstrates that the informed investors are more confident in the decisions that they make. The p-value, 0.000 and t-value, 8.42 verify the statistical significance of this relationship, that is, the outcome is not by chance. The fixed amount of 2.154 indicates the basics of confidence level at zero perception risk level. These results indicate that the more the risk is transparent before the investors, the better the investors become in their trades because they feel more empowered and assuring in their decisions. In total, better risk awareness could help tremendously towards enhancing investor confidence towards the changing crypto world.

**Figure 3:**

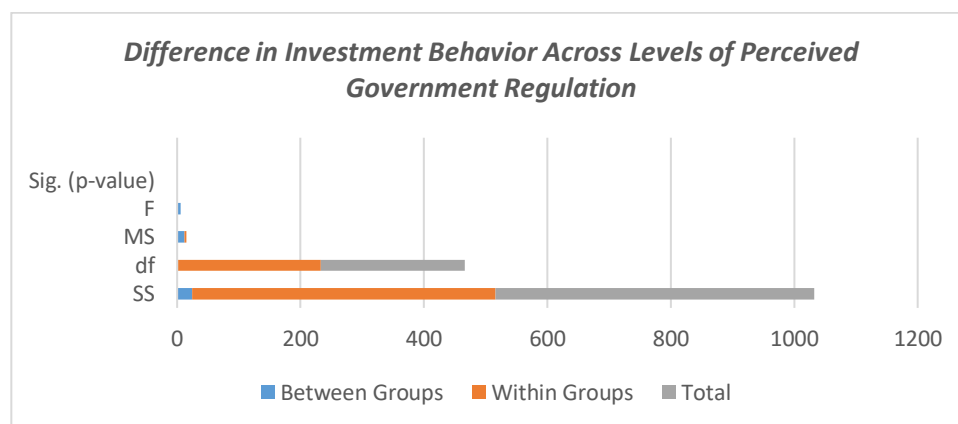


**Table 4: ANOVA – Difference in Investment Behavior Across Levels of Perceived Government Regulation**

Source of Variation	SS	df	MS	F	Sig. (p-value)
Between Groups	24.68	2	12.34	5.79	.003
Within Groups	491.27	231	2.13		
Total	515.95	233			

The ANOVA results indicate that there was the statistically significant difference among the groups as the F-value evaluated at the level of (5.79) and p-value at the level of (.003) is less than the commonly used significance level of 0.05. It implies that the difference in the dependent variable among the groups is not as a result of chance. Particularly, the between group variance is pretty significant ( $MS = 12.34$  vs.  $MS = 2.13$ ), implying that the factor of groups can be considered to influence the dependent variable reasonably greatly. On the whole, the total variation due to the total ( $SS = 515.95$ ) is firstly, to a large extent attributable to the variation within and among the groups and this once more, demonstrates the existence of significant group differences.

**Figure 4:**



## DISCUSSION

In the correlation findings, a high positive relationship was found between the regulators clarities and investor confidence ( $r = .587$ ). This implies that when investors are well informed of the rules and they are confident with the rules, the level of their confidence in crypto trading is enhanced. In states such as Pakistan where crypto regulations are just in the process of development, strict laws decrease the fear factor and move towards safe investment. Research has concurred that explicit legal policies minimize investor fear and bring about greater confidence (Chen, 2025). The investors become afraid thus risking their money to theft or a radical government ban which happens in cases where there is unclarity over the rules. A proper government communication creates a security and adds market participation. Investors are also emotionally safe with the presence of the good rules. Regulatory clarity, therefore, is not only concerned with legal issues, but it is also the determining factor of how confident and safe investors will feel. Good legal system makes more and more people to invest into the country as they believe that their money will be guarded by well-developed rules.

The analysis of regression showed that perceived risk is the significant factor in investor confidence (Beta = .562,  $p = .000$ ). Interestingly, there are cases when the perception of a higher risk leads to investor confidence. This is attributed to the fact that not a few crypto traders like to take risks in the hope of huge returns. They do not view risk as danger but opportunity. Those traders that have got experience in trading deal with risks intelligently at a technical level, perhaps diversification, or timing. This affirms what (Sood et al., 2025), has reported that risk is not a threat to confident investors; instead, it is viewed as a challenge to such investors. These individuals are prone to taking decisions because of emotional reasons rather than objectively and this is common in behavioral finance. New investors however can become bad judges of risk and make hurried or unwise moves. This is the reason that we need to be well educated in regard to risk. Investors should be trained on platforms that determine the savvy risk and harmful behavior. Having proper knowledge of risks, an investor is in a position to make an informed balanced decision without panicking or being overconfident.

The ANOVA test discovered that the confidence of the investors varies according to the trading experience ( $F = 5.79$ ,  $p = .003$ ). The more experienced traders tend to feel confident since they are familiar with the behavior of the crypto market in the long term. They have experienced fluctuations in prices and understand how to react calmly and with adequate decisions. Conversely, new investors might not have the expertise to study the direction of the market. They are likely to be more cautious as well as overconfident and this may cause errors. The supporting of these findings can be conducted by previous



research, e.g., one can cite (Andrew, 2022), who state that experienced investors are more stable emotionally and make superior decisions. Trading experience also results in personal development towards the acquisition of technical and emotional body disciplines. In order to accommodate every user, platforms are to develop tools that are ranked at the level of experience of investors. In example, demo trading could be done by new users and in-depth market data payable by advanced users. This creates confidence and intelligent action in the crypto world. Demographic results give valuable information concerning the nature of crypto investors in Pakistan. The ratio of male (63.3%) to female participants was so high, indicating that the practice of cryptocurrency trading among men still prevails in this respect. But even the high number of 36.7 of female investors also indicates the fact that women are slowly being integrated into this expanding breed of digital investors. The age of most respondents fell into the younger generation, the largest group stood at 26 to 35 years (42.5%), and 18 to 25 years (31.7%). This is indicative of the fact that the youth are more inclined and at ease with emerging sciences such as cryptocurrency.

## CONCLUSION

Conclusion of the undertaken research stands out clearly to show that regulatory clarity, perceived risk and the experience with investment in cryptocurrency trading in Pakistan are the primary determinants associated with determination of investor confidence with cryptocurrency trading. Moreover, there are better chances that citizens will be confident in investing their money in the system because when everybody is satisfied that the requirements and guidelines on cryptocurrency are out in the open and visible, people will be happy to write checks and leave their savings. This illustrates the role of government and the regulatory body in establishment of safe and sound investment environment. In addition, the results show that in as far as risk perception is concerned the aspect proved to be significant in the determination of investor behavior. Bizarrely, when the level of risk is increased then it does not at all put away the investors instead, it might raise the confidence of the investors especially those who are convinced that they may take risks and earn more returns. It is instilled in us that confidence is often something that can be found not just being content with having whatever we feel comfortable with, but also being able to see it as an option and interest to have better. The investor confidence that is the other important finding also depends on the experience of that particular person

## RECOMMENDATIONS

1. Enhance Transparency in Regulation: Government should come up with clear regulations on cryptocurrency to be transparent to raise investor trust.
2. Train Investors: Conduct campaigns to train the investors about risks and gains of investing in cryptocurrency and protecting themselves against bad actors in the eye of law.
3. Produce Tiered Support Systems: Provide different groups of investors with levels of training and support that ascend based on the degree of investor experience (e.g. novice and experts).
4. Voila Risk Assessment Tools: The trading platforms are required to have a facility offering a series of tools, which can help the trader to calculate risk and manage it.
5. Monitor Market Behavior: Another method that can induce improvement in the occurrence of impulsive decision-making caused by overconfidence is the close monitoring of the behavior of the trading by the regulators.

6. Market Responsible Trading Legislations: Offer rules to speak out in favour of informed and ethical trading with retail investors.
7. Raising of Fund Research and data: Advocate the academic research and data-driven practice which will create the future crypto policy.
8. Encourage the Public-Private Partnership: Promote interaction between governments, fintech vendors and universities to establish crypto environment security.

## **FUTURE IMPLICATIONS**

There are important implications of cryptocurrency markets in the future of Pakistan regarding the research. As the digital currencies are on the incline, it is now crucial to find out what contributes to the investor confidence in the view to have a stable, secure and stable system of investments. The evidence shows that the information on clear regulations that the government sets and good risk management standards exert a positive impact on the investor behavior. In this way, the crypto laws will be expected to have transparency and easy accessibility to policy-makers and regulators in the future. This would raise the number of individuals who join the company, reduce crimes and protect the investors against huge losses. The schools and economists shall also do their roles of ensuring that the new investors are educated, as well as made to train in the area of investing. Besides, the advantage of a trading platform is that it can offer individual tools and learning aids based on the level of a trader. This would help to limit the emotional or impulsive judgment making and enhance a responsible investing. The insight offers to researchers the opportunity to dig deeper into the other touching areas, i.e., the role of emotions, digital literacy, and the social impact involved in crypto trading.

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