Review of Futures Markets (RFM)
ISSN: 1993-7116
Volume 29 Issue 2 (2021)
Website: https://fra.st

Cryptocurrency Investment Behavior and Risk Perception among Retail Investors

Nathaniel James Walker[1] and Riya Mukherjee[2]

Submission: 25.06.2021; Acceptance: 04.08.2021; Publication: 23.10.2021

Abstract

Cryptocurrencies have attracted substantial interest from retail investors due to their rapid growth, high return potential, and increasing visibility within global financial markets. Despite their popularity, cryptocurrency investments remain associated with significant risks arising from volatility, regulatory uncertainty, cybersecurity concerns, and market speculation. Understanding investor perceptions and behavioral responses is therefore critical for evaluating the sustainability and future development of cryptocurrency markets. This study examines cryptocurrency investment behavior and investigates the factors influencing risk perception among retail investors.

The research draws upon behavioral finance theory and contemporary investment literature to analyze decision-making processes within digital asset markets. Particular attention is given to psychological influences such as risk tolerance, overconfidence, herd behavior, fear of missing out, and speculative motivations. The study also examines the impact of social media, online communities, and digital information sources on investment decisions.

The findings indicate that retail investors are often motivated by expectations of high returns and technological optimism, although investment decisions are frequently influenced by emotional and behavioral factors. Market sentiment, media exposure, and peer influence play significant roles in shaping perceptions of cryptocurrency-related risks and opportunities. Furthermore, investors with greater financial literacy and technological understanding demonstrate more structured decision-making processes and lower susceptibility to speculative behavior.

The study concludes that investor education and regulatory clarity are essential for promoting responsible participation within cryptocurrency markets. As digital assets continue to evolve, understanding investor behavior will remain critical for policymakers, financial institutions, and market participants seeking to support market stability and sustainable growth.

Keywords: Cryptocurrency, Retail investors, Risk perception, Behavioral finance, Digital assets, Investment behavior, Financial literacy