



Comparative Study of Stock, Mutual Fund, and Cryptocurrency Investments

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ABSTRACT

Within the realm of investment, investors are presented with a multitude of options in terms of investment vehicles. Three options that are experiencing growing popularity include equities, collective investment schemes, and digital currencies. The literature search was conducted across multiple databases, including PubMed, Web of Sciences, EMBASE, Cochrane Libraries, and Google Scholar, to explore the comparative aspects of stock investments, mutual funds, and cryptocurrencies. Stocks are a type of investment that symbolize ownership in a corporation, offering the possibility of long-term earnings through the firm's expansion and delivery of dividends. Stocks exhibit diverse levels of risk contingent upon the specific firm and industry and are typically more suitable for investors with long-term objectives. Mutual funds are financial instruments that aggregate capital from multiple investors and allocate it into a diversified collection of investments. This service offers automated diversification and is ideal for investors seeking to entrust the management of their portfolio to professionals. Mutual funds are appropriate for both short-term and long-term objectives. Cryptocurrencies are virtual assets that are bought and sold on cryptocurrency exchanges. Cryptocurrencies exhibit a high degree of speculation and volatility, characterized by swift and unpredictable price movements. Investing in cryptocurrencies necessitates a comprehensive comprehension of technical aspects and entails substantial risks, typically regarded as a short-term or speculative investment.

1. Introduction

In the world of investment, investors have many choices when it comes to investment instruments. Three increasingly popular options are stocks, mutual funds, and cryptocurrencies. Each instrument has unique characteristics and different risks, and understanding the comparison between the three is an important step in making wise investment decisions. Stock investments involve owning part of a company traded on the stock market, and mutual funds are investment vehicles that pool funds from many investors and invest them in a diversified portfolio, while cryptocurrencies are digital assets that are increasingly influencing the financial world with high growth potential, but also with high volatility. This study aimed to explore the differences and similarities between these three investment instruments, as well

as look at the factors to consider when choosing between stocks, mutual funds, and cryptocurrencies. With a deeper understanding of each option, investors can make more informed decisions according to their financial goals, risk profile, and knowledge.¹⁻³

2. Methods

The literature search process was carried out on various databases (PubMed, Web of Sciences, EMBASE, Cochrane Libraries, and Google Scholar) regarding the comparison of investment in stocks, mutual funds, and cryptocurrencies. The search was performed using the terms: (1) "comparison" OR "investment" OR "stocks" OR "mutual funds" AND (2) "cryptocurrency" OR "analysis." The literature is limited to studies and published in English. The literature selection criteria are articles published in

the form of original articles about the comparison of investment in stocks, mutual funds, and cryptocurrencies. Studies were conducted in a timeframe from 2013-2023, and the main outcome was a comparison of investment in stocks, mutual funds, and cryptocurrencies. Meanwhile, the

exclusion criteria were studies that were not related to the comparison of investment in stocks, mutual funds, and cryptocurrencies, the absence of a control group, and duplication of publications. This study follows the preferred reporting items for systematic reviews and meta-analysis (PRISMA) recommendations.

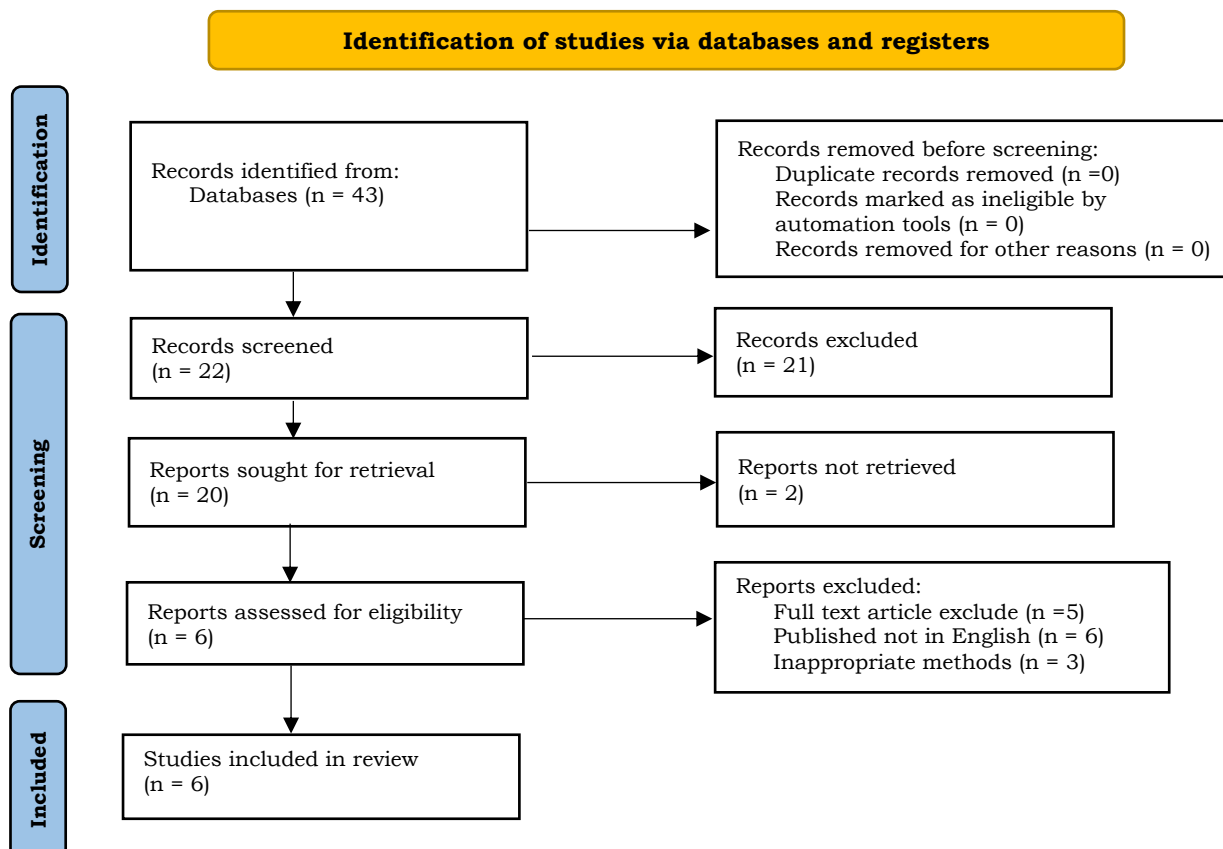


Figure 1. PRISMA flowchart.

3. Results and Discussion

Stocks

Stocks are a sign of ownership in a company that is traded on the stock market. When you buy Stocks of a company, you effectively own a small portion of that company. Stocks represent a claim on a company's assets and earnings and provide the right to participate in company decisions, such as the election of the board of directors and strategic decision-making. Stocks also provide potential profits from growth in share value and dividend distribution if the company distributes profits to shareholders.

Therefore, stocks are a common and important form of investment in the world of finance. Stocks are generally considered a long-term investment that allows investors to gain profits in two main ways: Growth in share value: Investors can profit from the increase in the price of their stocks over time. If the company grows and performs well, the value of its stocks can increase. Dividends: Some companies pay dividends to their shareholders as a share of the company's profits. Dividends are a source of additional income for shareholders. However, it's important to remember that stocks also have varying risks

depending on the particular company and industry. Stock price fluctuations are a common risk in stock investing, and riskier companies may experience higher price volatility. Therefore, a good understanding of the company, fundamental analysis, and portfolio diversification are key to managing risk when investing in stocks.⁴⁻⁶

The stock market can be very volatile, with changes in stock prices that can occur over a short period of time in response to various factors, including economic news, global market conditions, or specific company events. Long-term investors who have a mature investment plan and are willing to accept market volatility tend to be better suited to stocks. They can benefit from the long-term growth potential and dividends that can contribute to investment returns. Over the long term, possible market fluctuations tend to become less significant, and investors can allow time for their investments to grow. However, it is important to remember that there are no guaranteed returns in the stock market, and investment decisions should be tailored to an individual's financial goals, risk tolerance, and financial situation. Additionally, investors should always monitor and evaluate their portfolio periodically to ensure that it remains aligned with their long-term goals.⁷⁻⁹

Mutual funds

A mutual fund is an investment vehicle that pools funds from a number of investors, and the fund manager manages those funds by investing them in a diversified portfolio, which may include stocks, bonds, or other assets. The main advantage of mutual funds is the automatic diversification provided to investors, which helps reduce risk. Diversification is an important strategy in managing investment risk because by having a variety of assets in a portfolio, investors can reduce the potential negative impact of poor performance on one or more particular assets. Mutual funds also provide access to a variety of markets and industries that may be difficult for individual investors to access. This makes mutual funds a popular choice for investors who want to

diversify their portfolio without having to actively manage it.¹⁰⁻¹²

Mutual funds are especially suitable for investors who may not have in-depth knowledge of financial markets or who do not have the time or interest to actively manage their investment portfolio. By investing their funds in mutual funds, investors benefit from professional management by experienced fund managers. In addition, mutual funds can be suitable for short-term or long-term investment goals. There are various types of mutual funds that can be tailored to the investor's goals and risk profile. Stock mutual funds, for example, may be better suited for long-term goals, while money market or fixed-income funds may be better suited for short-term goals or maintaining an emergency fund. Investors considering mutual funds should understand the type of mutual fund they are selecting, their investment objectives, associated fees, and historical performance. By understanding more about the various types of mutual funds and their benefits, investors can make the right decision according to their needs and financial situation.¹³⁻¹⁵

Cryptocurrency

Cryptocurrencies are digital assets that rely on blockchain technology for transactions and storing their value. Cryptocurrencies such as Bitcoin and Ethereum are traded on crypto exchanges and have become a significant topic of conversation in the world of finance. However, it is very important to remember that cryptocurrencies are highly speculative and volatile. Cryptocurrency prices can fluctuate quickly and on a large scale, even within hours. This can create great opportunities for profit but also increases significant risk. Investing in cryptocurrencies can be high risk and is not suitable for everyone. Investors interested in investing in cryptocurrencies should take the time to understand blockchain technology the risks involved, and have a good risk management strategy. Additionally, keep in mind that cryptocurrency regulations can vary in different countries, so it is important to understand the legal framework in the region where you live before investing in cryptocurrency.¹⁶⁻¹⁸

Cryptocurrencies are usually considered short-term or speculative investments due to their high volatility and rapid price fluctuations. Many investors interested in cryptocurrencies see them as an opportunity to profit in the short term from significant price changes. Additionally, investing in cryptocurrency requires a fairly deep technical understanding of blockchain technology and how these digital assets work. Investors also need to have a strong awareness of the risks involved, including regulatory risks, security risks, and market uncertainty. Cryptocurrencies can be an addition to an existing investment portfolio but are not typically considered a long-term investment or primary portfolio diversification tool. People who decide to invest in cryptocurrencies should do so with caution and only with funds they have prepared for short-term speculative or trading purposes, not as a major part of their long-term investment plan.^{19,20}

4. Conclusion

Stocks are a form of investment that represents ownership in a company, with the potential for long-term profits through company growth and dividend distribution. Stocks have varying risks depending on the particular company and industry and are usually better suited to long-term investors. Mutual funds are investment vehicles that pool funds from many investors and invest them in a diversified portfolio. It provides automatic diversification and is suitable for investors who want to delegate management of their portfolio to professionals. Mutual funds can be suitable for short-term or long-term goals. Cryptocurrencies are digital assets that are traded on crypto exchanges. Cryptocurrencies are highly speculative and volatile, with rapid price fluctuations. Investing in cryptocurrencies requires technical understanding and carries high risks, usually considered a short-term or speculative investment.

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