

Palchevska Y.V. the student of higher education at the bachelor's level specialty "Business Economics"

Scientific supervisor: Korytska O.I., PhD., Associate Professor of the Department of Management of Organizations

(National University "Lviv Polytechnic", Lviv, Ukraine)

CRYPTOCURRENCY: CHALLENGES AND OPPORTUNITIES FOR ECONOMIC MANAGEMENT

In the modern world, every day, cryptocurrencies are becoming more and more entrenched in the economic system and becoming an integral part of it. And since many consumers are interested in this market, it is worth analyzing the impact of crypto assets on the economy as a whole.

Since cryptocurrencies are modern payment instruments that can not only supplement, but also partially replace real money, their main role is to reduce dependence on traditional banks and currencies. This opens up many different opportunities for investors, because they can choose the investments that are most suitable for them according to their needs. Each cryptocurrency has its own characteristics and therefore allows investors to move away from conventional banks and institutions. This factor is emphasized by the decentralization of the currency, which provides just that. Such a system ensures independence from external influence and provides security, because the absence of a "control center" reduces the chances of fraud and data theft. The absence of the same "control center" minimizes the intervention of intermediaries and therefore transactions take place between participants directly[2]. Such features force the state to react and modify the economic system, because the mechanisms do not work as they did before and call into question the stable principles of monetary policy. For example, some countries developed and used their digital currency, thus controlling money flows more. These currencies were relatively reliable and could ensure security in money transfers, but through their control the state received data about these consumers and here a problem with confidentiality already arose[3].

In order to understand the state in regulating cryptocurrencies, it is worth considering possible scenarios for the development of this payment instrument. The first is "Let present trends continue". This direction means leaving everything as it is, not strongly influencing the movement and popularization of crypto and not introducing special measures. This can lead to such consequences as aggregate demand effect, wealth effect, valuation effects. After all, such effects arise due to the use, for example, of Bitcoin, for the purchase of goods and services, thereby increasing the total volume of currency in circulation. They work if the crypto currency is not simply exchanged for national money, but is accumulated, used through investments, thereby creating the effect of wealth and having an impact on the economic system. However, it is worth considering that in the case of complete inaction on the part of the state, the problems that such a currency brings remain. The second scenario is "Ban the use of cryptocurrency". Some countries have already taken advantage of this idea and partially limited its use. For example, ban crypto for payments but still allow citizens to hold it, ban crypto mining, limit or ban targeted activities for regulated financial entities such as banks, make initial coin offerings (ICOs) illegal, ban crypto exchanges from operating, ban commercial banks from providing crypto services etc. By regulating the currency through a ban, the state will be able to gain control over finances, financial stability in the country, and the superiority of the national currency, but it is worth considering the indignation of consumers in such a case. Therefore, the third scenario is completely opposite to the previous one, namely: "Let cryptocurrency play a regulated role within the economy." This means that exchange companies must provide the state with data on users, transactions, etc. in the same way as traditional institutions do. They also monitor large payments that exceed the specified threshold to ensure a decrease in the

chances of money laundering. In this case, cryptocurrency exchanges will be able to operate legally, on a par with other state institutions, but at the same time they will have certain restrictions to protect against financial fraud and illegal activities of consumers. The last option for development of events is “Make cryptocurrency legal tender”, which is not so rare. The adoption of cryptocurrency as a legal means of payment can be quite controversial, because while everything has long been known about the adoption of foreign currency, the development of events here has not yet been precisely studied. Although the positive consequences include a move away from dollarization, a decrease in the cost of money transfers and an increase in financial accessibility [1].

And yet, even when using a specific scenario, the state should implement laws on the regulation of cryptocurrencies as soon as possible. Without a specific unified approach to such a payment instrument, the state has difficulties in developing the market. The absence of unified laws leads to fluctuating changes in market prices and income. And due to the same lack of specific regulations, the state loses potential income from taxation of income of users of crypto exchanges, because at the moment there is no clear law on the collection of this type of tax from this activity. Also, due to insufficient verification of users, fraud may occur, failure to return funds due to this from the exchanges themselves, and criminal schemes. It is worth, when drafting laws, taking into account, first of all, the protection of users, their privacy and understanding the essence of the use of crypto currencies [4].

Hence, cryptocurrencies are becoming increasingly popular and used in the world. Creating new opportunities, they also create certain challenges for a stable financial system. Decentralization, as their main feature, provides a certain freedom for consumers, but also exposes them to risks and dangers when using funds or inaccuracies in paying income taxes. In order to regulate these shortcomings, states need to develop a clear strategy for regulating cryptocurrencies as soon as possible. The lack of uniform legislative norms can lead to market fluctuations, loss of potential tax revenues and increased financial risks. Regulation should ensure a balance between security, innovation and user rights so that cryptocurrencies become not a threat, but a tool for sustainable economic development.

References

1. WEF. The Macroeconomic Impact of Cryptocurrency and Stablecoins. URL: https://www3.weforum.org/docs/WEF_The_Macroeconomic_Impact_of_Cryptocurrency_and_Stablecoins_2022.pdf
2. The impact of cryptocurrencies on the economy – a detailed analysis. URL: <https://investstart.com.ua/kriptovalyuti-ta-ix-vpliv-na-ekonomiku-analiz-situatsii>
3. The history of cryptocurrencies and their impact on the economy. URL: <https://acceptcoin.io/ua/blog/the-history-of-cryptocurrencies-and-their-impact-on-the-economy>
4. Regulation of cryptocurrencies: global experience, laws and legal issues. URL: <https://veles.finance/uk/blog/post/cryptocurrency-regulation-legal-frameworks-challenges-and-global-trends>