279. CRYPTOCURRENCY AS A NEW FORM OF MONEY

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This paper examines potential of cryptocurrency as a new form of money through theoretical analysis and a student survey (N=27). The study evaluates how well cryptocurrencies fulfill classical monetary functions and analyzes their key advantages – decentralization, anonymity, limited supply – and disadvantages: volatility, technical risks, and lack of guarantees.

These days, we hear the term “cryptocurrency” more and more often. Every day, we see news about the price movements of various cryptocurrencies. The purpose of this paper is to explore the potential of cryptocurrency as an alternative to traditional money, analyzing the advantages and disadvantages of its integration into the banking and credit system. In order for an asset to be exchangeable for money, it must meet three criteria. This determines its quality. First, the asset must be an acceptable medium of exchange for the purchase of goods and services. Second, it must be possible to evaluate and compare the value of goods in units of that coin. Finally, the coin must retain its purchasing power over a long period of time. Currently, only a limited number of companies use cryptocurrencies to store their reserves or assets. Even fewer companies use cryptocurrencies as a means of payment.

A survey demonstrates how 27 students assessed awareness of cryptocurrencies, their practical application, and public perception as an alternative currency. Thirty-six percent of respondents said they make purchases using cryptocurrency on a regular basis, while the other 8 % have tried this payment method experimentally.

Despite the growing interest in cryptocurrencies, the survey results show that more than half (52 %) of respondents do not own them. This indicates a significant gap between the desire to use cryptocurrencies and their actual use.

Opinions on the convenience of cryptocurrencies for everyday payments are divided. A third of respondents (36 %) consider them fast and convenient. However, one in five (20 %) encounter difficulties due to exchange rate volatility and high fees. Another quarter of respondents (24 %) point to dependence on the legislation of a particular country, which confirms the uneven development of infrastructure for cryptocurrencies in different regions of the world. We can see the statistics below in Figure 1 and Figure 2.

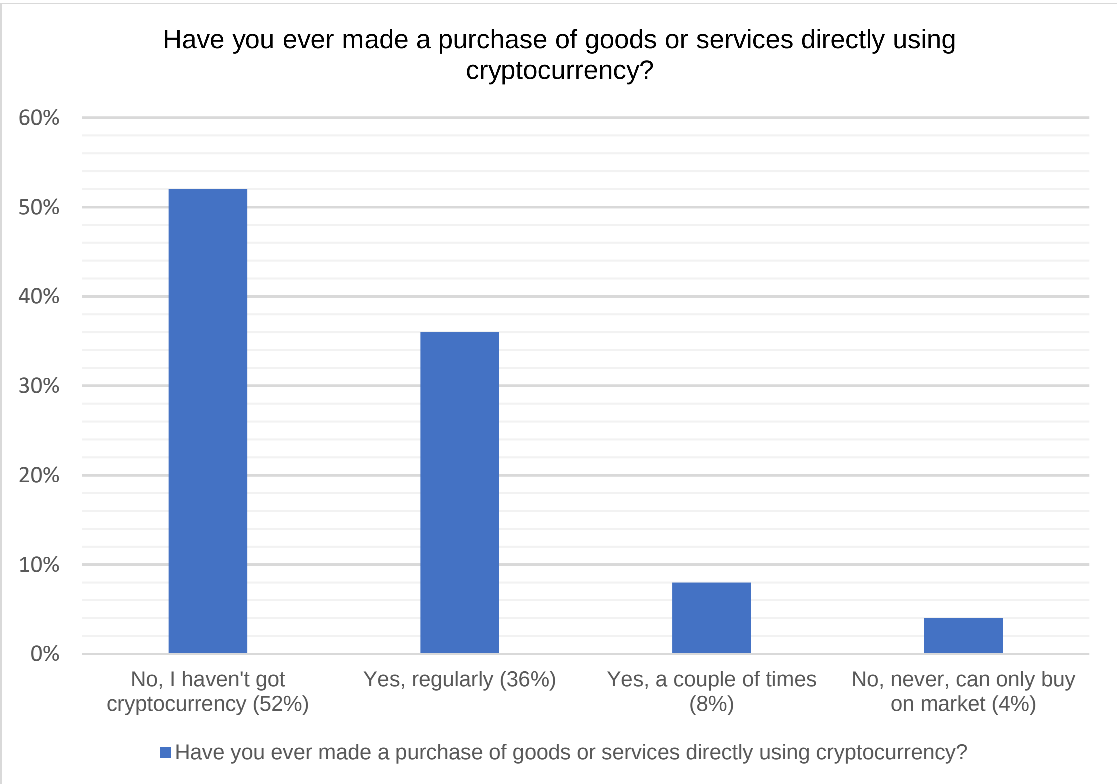

Figure 1 – Students’ answers to the question about making purchases using cryptocurrency

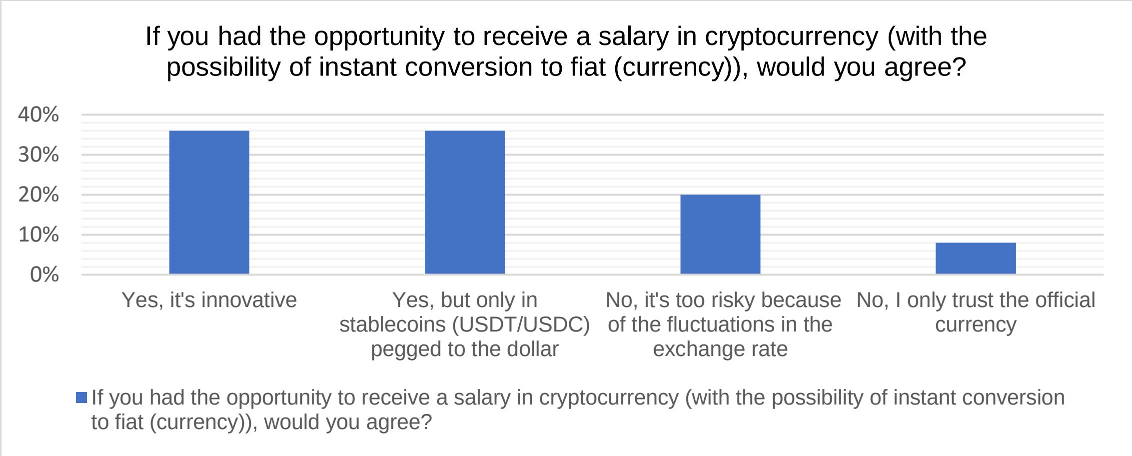

Figure 2 – Students' answers to the question about the opportunity to receive a salary in cryptocurrency

Cryptocurrencies have a number of distinctive features that give rise to both strengths and weaknesses compared to conventional money.

The key advantages of cryptocurrencies include:

– all transactions are anonymous; apart from the wallet number, there is no information about the person who made the transaction;

– cryptocurrency is stored in a decentralized manner, i.e., without the use of a single bank, which contributes to the lack of control over payments and transactions;

– security – cryptocurrencies cannot be copied.

Despite all the advantages, it is important to note that cryptocurrencies are already being used to pay for illegal goods and services. Their anonymity and decentralized nature make it virtually impossible to track both buyers and sellers. However, this is not the only disadvantage of cryptocurrencies.

It is worth considering other disadvantages of this type of electronic currency, which may not be obvious at first glance:

– lack of guarantee of the security of crypto wallets due to the absence of any regulatory mechanisms;

– unstable price, characterized by a high volatility index due to the specific use of cryptocurrencies;

– the possibility of negative impact from national regulators – measures to restrict or ban cryptocurrency transactions may be introduced at the state or central bank level;

– wallet malfunction or loss of password will result in the loss of all coins stored in it.

– In addition, there are the following risks:

– total loss of funds: If you lose access to your wallet or forget your password, all your cryptocurrencies will be irretrievably lost;

– fraud: There is a risk of payment data substitution or phishing attacks aimed at stealing your funds;

– platform hacking: Payment systems that work with cryptocurrencies can be vulnerable to hacking;

– as a new asset class, cryptocurrencies are considered volatile – with the potential for significant movements up and down over shorter periods of time. It is a key parameter describing the degree of fluctuations in the prices of digital assets over time. Understanding volatility helps investors, traders, and researchers assess risk, select strategies, and form hypotheses about future market movements.

Despite the advanced technologies underlying cryptocurrencies, their ultimate impact on the financial world remains uncertain. Currently, they cannot completely replace traditional money due to high volatility, technical limitations, and the lack of government guarantees. A survey of students confirms that these factors are the main obstacles to their widespread use.

It is still too early to talk about cryptocurrencies as an alternative to full-fledged money.

At the moment, it is impossible to predict the effect of the emergence of cryptocurrencies, as well as their impact on the global economy, the environmental situation, and other important factors and circumstances of modern life.

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