

## **THE ADVANTAGES AND DISADVANTAGES OF CRYPTOCURRENCIES IN THE CONDITIONS OF MODERN MARKET ECONOMY**

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Today in the financial world, cryptocurrency, or virtual money, is gaining popularity. Governments and central banks of different countries are often very ambiguous in applying these innovations. Some consider them as an instrument of the shadow economy, while others as a revolution in the world of finance. In Ukraine, there has not been developed a unanimous opinion regarding cryptocurrency yet, and the legislative basis almost does not exist. It is clear that the world is changing hence requiring its participants to adapt. Particularly for changes in the field of payments, as it is directly related to the expansion of the economy and the welfare of the population. Moreover, if cryptocurrency market research and its regulations, as a tool for calculations and payments, will not be implemented in time, then existing institutions will affect the modern financial system by losing financial flows.

Cryptocurrency is a digital asset designed to work as an exchange tool using cryptography (secure communication from third parties) to provide transactions, oversee the creation of additional units, and verification of transfer of assets [1].

Cryptocurrency, on the one hand, is similar to ordinary money: it can be exchanged for dollars, euros, hryvnias, etc. Virtual money can be used to pay during online shopping; they can be stolen. On the other hand, there is very little in common with hryvnia and Bitcoin. It has no physical form, and there is no issuer - a legal entity that issues it. Moreover, there is no single place where cryptocurrency data is stored - this information is kept on hundreds of computers at the same time as torrent files. Therefore, there is no bitcoin itself, only information about its transmission.

The difference between cryptocurrency and ordinary money is based on how transfers from one person to another are made.

The process of issuing a cryptocurrency is called «mining» and uses the power of computer systems to generate unique sets of characters that form a cryptocurrency [3].

The miners, in return, receive money for the contribution to the work of the blockchain. All information in the blockchain is divided into blocks, and each block carries a certain number of recordings about performed operations. Saving information about those operations is called «block creation». The miner receives a cryptocurrency for the processing of such information. In addition, sometimes the commission fee must be paid, in case the message containing information about transactions weighs more than 1000 bytes. Furthermore, the sender can assign a reward to the miner, so his transaction is processed before others.

Currently, Bitcoin is one of the most common and expensive cryptocurrency. To date, it costs more than \$ 8,000 per unit (changing day by day in the direction of growth), the volume of capitalization of the world's first decentralized crypt is more than 154 billion dollars USA, which states 60% of the cryptocurrency's world market [2].

As for Ukraine's attitude towards cryptocurrency, there is an imbalance between the economic realities of the market and the development of legislation. It increases the complexity of the establishment of formal institutional rules for regulating the issuance procedure and the circulation of crypto-currency, not to mention the rising risks at macro and micro levels. Cryptocurrency in Ukraine can be earned, bought or given, but it is not an ordinary payment method among enterprises, it is also «difficult to pay for goods or services, because only a few online stores and businesses inform on their websites that they accept cryptocurrency as payment for goods or services» [3]. In spite of institutional uncertainty, Ukraine confidently became one of the leading countries in 2017 using cryptocurrency. In Ukraine, the most popular cryptocurrencies in 2017 were Bitcoin, Ethereum, Dash, Monero, Ripple.

## **Фінансовий сектор Європейського союзу та сталий розвиток: європейський досвід, стратегічні орієнтири для України (м. Київ, 6 червня 2019 р.)**

It can be said that the two most significant advantages of cryptocurrency are that it cannot be falsified, and transactions cannot be disputed nor cancelled by the payer. In addition, transactions using cryptocurrency are anonymous. It also allows to avoid being tied to the exchange rates, interest rates and transaction fees. However, despite its popularity and constant price growth, the digital currency is still associated with a particular risk. The sharp fluctuation of cryptocurrency, the inevitable collapse on the market - all these factors only increase the risk of using cryptocurrency in the modern economy.

The prospects of using cryptocurrency in Ukraine resulting from the modern Ukrainian consumer who is particularly in need of promptness, security calculations, certainty, the absence of third parties, the independence of the monetary unit value from the political situation in the country, and cryptocurrencies meet these needs, while Ukrainian users admit their efficiency. State structures are ignoring the fact that such advanced technologies, to which electronic money belong, are becoming one of the means of mutual settlements between citizens and legal entities in Ukraine. Moreover, it is an unproductive way of optimizing the market. It is possible to delay the process of development of cryptocurrency without creating the necessary infrastructure condition, but eventually, they will still take their place in the world financial system.

Consequently, if the cryptocurrency occupies a significant place in the financial calculations in the future, we will ultimately get full control over our finances and have the opportunity to openly choose the recipient of transfers, while paying the minimum commission.

### **References**

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