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PROSPECTS FOR DEVELOPMENT AND MAIN PROBLEMS OF THE CRYPTOCURRENCY MARKET

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Abstract: This article examines cryptocurrency as the newest form of money, analyzing the main risks, trends, and prospects for its development. The advantages of cryptocurrency, such as decentralization, anonymity, and security, are also analyzed. However, serious risks related to price volatility and the lack of government regulation are also addressed. We analyze the main development trends in the cryptocurrency market, including the growth in the number of users and the increase in transaction volumes.

Keywords: cryptocurrency, blockchain, evolution, security, volatility, anonymity, exchange, stock, bitcoin, statistics, asset, crypto asset.

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Introduction

Cryptocurrency has entered the global financial system with unprecedented speed and entirely new power, changing traditional methods. Since the creation of Bitcoin in 2009, the cryptocurrency market has undergone incredible changes and growth, which in turn has fueled research and innovation around the world. However, to date, cryptocurrency and blockchain technologies have ceased to be merely electronic currency and its security system. They have evolved and are now widely used in areas such as finance, medicine, law, and many others for their security and transparency. We all know that cryptocurrency operates on blockchain technology. The introduction of various electronic payment systems into banking activities and the emergence of distributed ledger technologies have become an important stage in the evolution of the financial industry, during which cryptocurrencies and their application emerged. This is a relatively new financial instrument, closely related to blockchain technologies, whose mass adoption and recognition have had a significant impact

Methods

Currently, the cryptocurrency market is in a phase of expansion. Monitoring cryptocurrency transactions often poses challenges. For Bitcoin transactions, no personal information is required. According to many global banks, including the Central Bank of the Republic of Uzbekistan, the Bitcoin system can be used as a means of money laundering and financing terrorism.

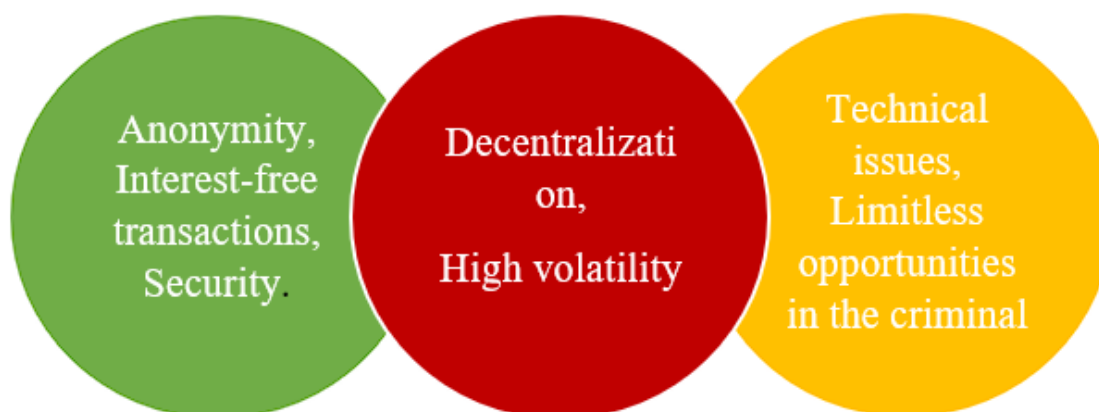
Let's start by considering the differences and similarities between cryptocurrencies and regular stocks.[1] Cryptocurrencies and stocks represent two different financial concepts, but there are certain similarities between them. For example, both cryptocurrencies and stocks can generate income for their owners and are investment assets that can appreciate in value over time. However, in some ways, cryptocurrencies have an advantage over stocks. Firstly, stocks represent an ownership share in a company, meaning their value depends on the company's success and profitability. Cryptocurrencies,

on the other hand, do not have tangible foundations or assets, and their value is determined by market demand and supply. Secondly, stocks are usually regulated by governmental bodies and exchanges, whereas cryptocurrencies often exist in a regulatory grey area, as many countries are only beginning to develop legislation in this area. Thirdly, owning stocks can generate dividends in the form of cash payments from the company, whereas cryptocurrencies typically do not provide direct income, except for profits from price appreciation. Cryptocurrencies generally exhibit greater volatility compared to stocks, meaning their prices can fluctuate significantly over a short period. This gives cryptocurrencies a distinct advantage. However, when using cryptocurrencies as a means of generating income, it is necessary to consider factors such as stability, security, legality, anonymity, technical issues, and many others.

Results and Discussion

The use of cryptocurrency as a means of payment has its advantages and disadvantages.[2] Overall, the positive properties of cryptocurrency outweigh the negatives. For example, cryptocurrencies can enable instant and global transactions without the involvement of intermediaries or banks, making them attractive for international payments. In many cases, transaction fees with cryptocurrencies are significantly lower compared to traditional financial systems. Some cryptocurrencies provide a high degree of anonymity for transactions, which can be attractive to users who value privacy.[3] And most importantly, thanks to blockchain technology, transactions are highly secure, making them difficult to alter or counterfeit.

Nevertheless, cryptocurrencies have many negative and dangerous characteristics.[4] Firstly, their main positive advantage—decentralization—is also their main risk. Because it is impossible to regulate and monitor the transactions and who conducts them. At first glance, this may not seem like a big problem, but in the criminal world, it opens up limitless opportunities. Secondly, technical issues: using cryptocurrencies requires technical knowledge and internet access, which may limit access to this type of payment method in some regions or among users with low technical skills. Thirdly, volatility: this characteristic can be both an advantage and a disadvantage. Cryptocurrency prices fluctuate greatly, leading to high risks for sellers and buyers.



This, in turn, causes some inconveniences in using cryptocurrency as a stable currency. Imagine you are the owner of a promising company. To increase your income, you plan to invest part of your budget in crypto assets. However, due to changes in the cryptocurrency market, you lost part of your financial assets. If the company is large and the investments are not too significant, the damage will be negligible. Otherwise, you may face bankruptcy.

Let's now look at the statistics of Bitcoin prices over the last 4-5 years. As can be seen from the following, Bitcoin has experienced multiple significant rises and falls due to its high volatility.



Figure 1. Bitcoin Price over the Last 5 Years

Table 1.

	01.01.2021	01.01.2022	01.01.2023	01.01.2024
Value (in US dollars)	33114.36\$	38483.13\$	23139.28\$	42582.58\$
Compared to last year	0	+5368,77\$	-15343.85\$	+19443.3\$
Compared to last year, %	↑254.14%	↑16,21	↓39,87%	↑84%
Average annual value	47041.83\$	27794.17\$	29875.9\$	64572.72\$
Year-End Value	46306.45\$	16547,50\$	42265.19\$	87250.43\$

In recent years, many countries have begun to develop legislation regulating cryptocurrencies and blockchain technologies. This could lead to greater legality and transparency in this industry and other areas, but it also affects the supply and demand of cryptocurrencies. According to a bill developed by the Agency for Strategic Initiatives of the Republic of Uzbekistan in 2022, all trading operations with crypto assets are completely banned in Uzbekistan. Considering the risks associated with cryptocurrencies, a long-term program for the phased transition to the use of crypto assets has

been created. For example, the Agency for Strategic Initiatives of the Republic of Uzbekistan has established standards for crypto mining activities and obtaining the appropriate licenses

Conclusion

The Agency for Strategic Initiatives of the Republic of Uzbekistan, through the adoption of laws and projects related to cryptocurrencies, their storage, trading operations, mining, and other aspects, is taking steps to manage and regulate cryptocurrencies and blockchain technologies in our country. As we transition to these technologies over the next 5-10 years, we must first develop the economic stability of our country, technological potential, digital infrastructure, and the population's proficiency in using digital technologies, as well as create a government and society resilient to various obstacles and challenges. If these conditions and requirements are met, we will undoubtedly achieve our goal in the near future.

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