THE ROLE OF CRYPTOCURRENCIES AND DIGITAL ASSETS IN THE ECONOMY UNDER THE CONDITIONS OF THE DIGITAL ECONOMY

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ABSTRACT

This article examines the role of cryptocurrencies and digital assets in the economic system under the conditions of the digital economy, their impact on financial relations, and their development prospects. It also analyses the importance of blockchain technology in economic processes, the impact of digital assets on investment activities, and the opportunities and risks associated with them. Based on the regulatory legal acts aimed at developing the digital economy in the Republic of Uzbekistan, the article considers the main directions for the development of this sector.

Keywords: digital economy, cryptocurrency, digital assets, blockchain, financial technologies, investment, e-commerce, innovation.

INTRODUCTION

In the era of globalisation and technological progress, the digital economy is becoming an essential component of the global economic system. The development of information and communication technologies has brought economic relations, financial transactions and service delivery processes to a new level. In particular, the development of the digital economy is creating new opportunities in production, trade, banking services and entrepreneurial activities.

The Republic of Uzbekistan is also paying special attention to the digitalisation of economic sectors, the expansion of electronic services and the introduction of modern technologies. In particular, the Digital Uzbekistan — 2030 Strategy, approved by Presidential Decree No. PF-6079 dated 5 October 2020, identified the main priorities for the country's digital development.[1]

Cryptocurrencies and digital assets represent one of the important areas of the digital economy. They are playing an increasingly significant role in carrying out financial transactions, making investments and establishing new economic relations.

1. THE DIGITAL ECONOMY AND ITS IMPORTANCE IN THE MODERN ECONOMY

The digital economy is a system of organising and managing economic activities based on information technologies, internet networks and digital platforms. Its main feature is the extensive use of modern technologies, electronic data and automated systems in economic processes.

The digital economy makes it possible to improve business operations, reduce production costs and enhance the quality of services. For example, through e-commerce platforms, entrepreneurs can offer their products not only in domestic markets but also in international markets.

The Digital Uzbekistan — 2030 Strategy identifies the extensive introduction of modern information and communication technologies into economic sectors and the development of digital infrastructure as priority tasks.[1]

The main advantages of the digital economy include:

- the acceleration of economic processes;
- the reduction of production and service delivery costs;
- wider access to financial services;

- the emergence of new opportunities for entrepreneurial activity;
- the development of international economic relations;
- increased efficiency in economic management.

2. THE ECONOMIC NATURE OF CRYPTOCURRENCIES AND DIGITAL ASSETS

A cryptocurrency is a digital form of value that uses cryptographic protection and distributed ledger technologies. Its operation is often based on blockchain technology.

Blockchain is a technology that makes it possible to store data in the form of interconnected blocks. Information about transactions is recorded in a specialised ledger. The distributed storage of data helps ensure the transparency and integrity of the system.

Well-known examples of cryptocurrencies include Bitcoin and Ethereum. These projects demonstrate the possibilities of using digital assets and blockchain technology in the financial sector.

One of the first important legal foundations in the Republic of Uzbekistan concerning the concept of crypto-assets and their circulation was Presidential Resolution No. PQ-3832 dated 3 July 2018. This resolution addressed the development of the crypto-asset circulation sector and the regulation of activities in this field.[2]

The economic importance of digital assets is reflected in several areas. First, they create new investment opportunities. Second, blockchain technology helps improve the recording and verification of financial transactions. Third, services related to digital assets contribute to the development of new business models.

However, cryptocurrencies should not be equated with traditional money. Their value may fluctuate significantly depending on market supply and demand. Therefore, economic and legal requirements must be taken into account when using them.

3. ADVANTAGES AND RISKS OF CRYPTOCURRENCIES FOR THE ECONOMY

The development of cryptocurrencies and digital assets creates a number of new opportunities for the economy. One of their most important advantages is the improvement of financial technologies.

First, blockchain technology makes it possible to systematically record information about financial transactions. In certain processes, this may reduce intermediary costs and make information easier to verify.

Second, digital assets create a new segment of the investment market. Investors can diversify their investment portfolios by allocating funds to different types of assets.

Third, digital technologies can contribute to the development of international financial relations. In particular, blockchain-based solutions may accelerate certain cross-border transactions and improve their traceability.

At the same time, these technologies also involve certain risks. Above all, sharp fluctuations in cryptocurrency prices may cause financial losses for investors. In addition, issues related to the security of digital wallets, the protection of personal data and online fraud remain relevant.

Another important issue is public financial literacy. People who do not have sufficient knowledge of digital assets may become victims of various forms of financial fraud.

Therefore, the development of the crypto-asset market requires the protection of investors' rights, the improvement of cybersecurity systems, the prevention of illegal transactions and an increase in public financial literacy.

4. THE DEVELOPMENT OF THE DIGITAL ECONOMY AND CRYPTO-ASSETS IN UZBEKISTAN

The development of the digital economy in Uzbekistan is one of the important priorities of the country's economic policy. In recent years, various measures have been implemented to expand electronic services, digital payments and e-commerce, as well as to introduce information technologies more widely.

Presidential Resolution No. PQ-3832 dated 3 July 2018 played an important role in establishing the legal foundations for the development of the crypto-asset circulation sector.[2] Relevant regulatory and licensing mechanisms have been developed by the authorised government bodies in this area.

Furthermore, Law No. O‘RQ-792, the Law on Electronic Commerce, adopted on 29 September 2022, is aimed at regulating e-commerce relations, electronic trading platforms and the legal activities of participants in this sector.[3]

The development of the digital economy also creates important opportunities for major economic and tourism centres such as Samarkand. In particular, the use of digital platforms in tourism, trade, hotel services and entrepreneurial activities can improve service efficiency.

For students studying economics and services, learning about digital finance, e-commerce and blockchain technology provides an important advantage in their future professional careers.

5. RECOMMENDATIONS FOR THE EFFECTIVE USE OF DIGITAL ASSETS

Based on the analysis above, the following recommendations can be put forward for the development of the digital economy and the digital asset sector:

First, practical classes on the digital economy, blockchain and financial technologies should be expanded in higher education institutions.

Second, educational programmes aimed at improving public financial literacy should be organised. It is particularly important to develop an accurate understanding among young people of both the opportunities and risks of crypto-assets.

Third, business entities operating in the digital services sector should be provided with modern technologies, and their innovative projects should be supported.

Fourth, cybersecurity systems should be developed, and mechanisms for protecting consumer rights in digital financial transactions should be improved.

Fifth, international experience should be studied and adapted to the economic conditions of Uzbekistan.

CONCLUSION

In conclusion, the development of the digital economy is changing the nature and forms of modern economic relations. Cryptocurrencies and digital assets are emerging as important components of this process.

The analysis shows that blockchain technology, digital financial services and electronic platforms create important opportunities to improve economic efficiency, expand investment opportunities and develop new business areas.

At the same time, risks such as the volatility of digital asset prices, cybersecurity problems and financial fraud cannot be ignored.

In Uzbekistan, the development of this sector requires the introduction of modern technologies into the economy, the improvement of legal regulatory mechanisms and an increase in public financial literacy.

In the author's opinion, the future development of the digital economy depends not only on the use of technological innovations but also on managing them in accordance with the principles of economic benefit, security and legality.

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