JOURNAL OF APPLIED COMPUTER SCIENCE & MATHEMATICS, ISSUE 1 / 2026, VOL. 20, NO. 40

ISSN: 2066-4273 eISSN: 2066-3129

IMPACT OF CRYPTOCURRENCY MARKETS ON EASTERN EUROPEAN ECONOMIES: A STRUCTURAL EQUATION MODELING ANALYSIS

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Abstract

The rapid expansion of cryptocurrency markets presents both opportunities and challenges for Eastern European economies, particularly amid post-Soviet transitions and geopolitical instability. Key problems investigated include market volatility, regulatory fragmentation, informal economy overlaps, environmental costs of mining, and the vulnerability exposed by the October 2025 crypto crash, which triggered $19 billion in liquidations due to U.S.-China trade tensions. The aim of this research is to empirically evaluate the influence of cryptocurrency adoption on macroeconomic performance in the region, focusing on fostering financial inclusion and trade efficiency while mitigating risks. Research objectives encompass assessing direct and mediated effects of crypto penetration on GDP growth, inflation stability, and unemployment reduction; testing hypotheses on transaction volumes, user adoption, and Virtual Asset Service Providers (VASPs) as drivers of economic outcomes; and deriving policy insights for sustainable integration. The methodology employs Structural Equation Modeling (SEM) on a balanced panel dataset from 11 Eastern European countries (Poland, Czechia, Slovakia, Hungary, Romania, Bulgaria, Croatia, Lithuania, Latvia, Estonia, Ukraine) over 2020–2024 (N=55). Variables include Crypto_Users (%), Crypto_Transactions (billion USD), ln_VASPs, GDP (billion EUR), Inflation (%), and Unemployment (%). Data sourced from Chainalysis (2024) and Eurostat (2024) were analyzed using robust maximum-likelihood estimation with 5,000 bootstraps, incorporating country fixed effects. Model fit indices (χ^2 $p=.168$, RMSEA=.052, CFI=.968) confirm robustness. Results indicate significant positive paths from transaction volumes ($\beta=.59$, $p<.001$) and VASPs ($\beta=.48$, $p<.001$) to GDP, with partial mediation (indirect $\beta=.16$, $p=.008$); user adoption hedges inflation ($\beta=.29$, $p=.008$) but shows no unemployment impact. Conclusions underscore crypto's GDP-boosting potential (e.g., 2% uplift in Romania) amid risks, advocating harmonized regulations to balance innovation and stability in Eastern Europe.

Keywords: *Cryptocurrency, blockchain, Eastern Europe, structural equation modeling, economic indicators*

***JEL Classification*:** G15, O33, F65

I. INTRODUCTION

The rise of cryptocurrency markets has reshaped the global financial landscape, introducing decentralized digital currencies that challenge traditional economic systems. Since Bitcoin's inception in 2009, cryptocurrencies have evolved into a complex ecosystem of diverse assets, gaining significant traction in Eastern Europe, particularly Romania and Ukraine, from 2020 to 2024. This study employs Structural Equation Modeling to analyze cryptocurrency adoption's impact on GDP, inflation, and unemployment, leveraging the region's post-Soviet transition to market-driven economies (Kline, 2015; Rosseel, 2012). Eastern Europe's shift from centralized planning offers a unique lens for assessing cryptocurrencies' role in fostering financial inclusion and trade efficiency, juxtaposed against challenges like regulatory gaps and volatility, starkly illustrated by the October 2025 crash, which saw $19 billion in liquidations as Bitcoin fell 14% to $104,782.88 and Ether dropped 12.2% to $3,436.29 due to U.S. tariffs on Chinese imports (Chavez-Dreyfuss & Price, 2025; Hrytsenko et al., 2023; Zengin & Kocoglu, 2022).

Key stakeholders (users, enterprises, regulators, and investors) drive and are shaped by this cryptocurrency landscape. Ukraine ranks 6th globally in crypto adoption, with significant DeFi growth, while Romania's blockchain integration has boosted GDP by 2% from 2020 to 2024 (Chainalysis, 2024; Eurostat, 2024; Igna, 2024). Ukraine's low-cost energy and skilled workforce fuel mining and trading, enhancing foreign trade (Hrytsenko et al., 2023). However, challenges persist, including regulatory fragmentation, with Turkey's proposed Tobin tax risking innovation, and illicit financing, with $193 million linked to terrorism from 2019 to 2024 (Zengin & Kocoglu, 2022; Oladipupo & Oladeji, 2025). The October 2025 crash, with altcoins like HYPE (-54%) and DOGE (-62%) plummeting, highlighted market fragility, prompting investors to hedge via put options at $115,000 for Bitcoin (Chavez-Dreyfuss & Price, 2025).

Economic and technological synergies drive cryptocurrency adoption in Eastern Europe. Romania's multinational markets use blockchain to streamline supply chains, while Ukraine leverages abundant energy and tech expertise for trade and investment (Igna, 2024; Hrytsenko et al., 2023). Yet, volatility and informal economy overlaps, where cryptocurrencies substitute cash, complicate fiscal policy (Goel & Mazhar,

DOI: 10.4316/JACSM.202601001

ISSN: 2066-4273 eISSN: 2066-3129

2023). Comparative studies with BRICS economies show cryptocurrency volatility negatively impacts stock markets, a risk amplified in Eastern Europe's less developed financial systems (Sakthivel & Rajaswaminathan, 2024). The October 2025 crash underscored the need for balanced policies to mitigate risks while fostering innovation.

Stakeholder theory illuminates these dynamics, with users, enterprises, and VASPs as primary drivers and regulators as expectant stakeholders post-crash (Hrytsenko et al., 2023; Oladipupo & Oladeji, 2025). Romania's blockchain adoption enhances trade efficiency, while Ukraine's supports exports (Igna, 2024; Hrytsenko et al., 2023). Regulatory challenges, including Turkey's tax proposals and calls for KYC protocols post-crash, highlight tensions between oversight and growth (Zengin & Kocoglu, 2022; Chavez-Dreyfuss & Price, 2025). This study uses quantitative data from Eurostat (2024) and Chainalysis (2024), alongside qualitative insights, to inform sustainable economic strategies, positioning Eastern Europe as a leader in global cryptocurrency markets.

II. CHALLENGES OF CRYPTOCURRENCY MARKETS' IMPACT ON EASTERN EUROPEAN ECONOMIES

Cryptocurrency markets have emerged as a significant component of the economic landscape in Eastern Europe, particularly in countries such as Ukraine and Romania, where adoption surged between 2020 and 2024 due to a unique blend of technological capabilities and post-Soviet economic transitions. However, the impact of cryptocurrencies on the region's economies is accompanied by substantial challenges, encompassing market volatility, regulatory gaps, interactions with the informal economy, and environmental concerns tied to energy-intensive processes like mining. These challenges create a complex balance between cryptocurrencies' potential to drive economic growth and the risks that threaten stability. The October 2025 crash, which saw $19 billion in liquidations, with Bitcoin dropping 14% to $104,782.88, Ether falling 12.2% to $3,436.29, and altcoins such as HYPE (-54%), DOGE (-62%), and AVAX (-70%) experiencing even steeper losses, vividly illustrates these issues. Triggered by the U.S. announcement of a 100% tariff on Chinese imports and threats of export controls on critical software, this crash underscored the vulnerability of cryptocurrency markets to geopolitical shocks, with profound implications for Eastern European economies (Chavez-Dreyfuss & Price, 2025).

Market volatility stands as a primary challenge hindering the economic integration of cryptocurrencies in the region. While the rising popularity of Bitcoin and Ether has facilitated investment inflows and stimulated trade in Ukraine, which ranks 6th in the Global Crypto Adoption Index (Chainalysis, 2024), sharp price fluctuations undermine their utility as a stable medium of exchange or store of value. In Romania, enterprises have adopted blockchain to optimize supply chains, contributing to a 2% GDP growth from 2020 to 2024 (Igna, 2024; Eurostat, 2024). Yet, volatility, as evidenced by the October 2025 crash, introduces uncertainty into business planning, complicating cost and revenue forecasting. Investors, reacting to the crash, heavily purchased put options on Bitcoin at strike prices of $115,000 and $95,000, and on Ether at $4,000 and $2,600 for October and December 2025 expiries, signaling bearish expectations for short-term market stability (Chavez-Dreyfuss & Price, 2025). Comparative analysis with BRICS economies indicates that cryptocurrency volatility negatively impacts stock markets, eroding investor confidence and reducing capital allocation to traditional assets (Sakthivel & Rajaswaminathan, 2024). In Eastern Europe, where financial markets are less developed, this effect is amplified, posing risks to economic stability, particularly during market upheavals when capital flows shift toward Bitcoin as a perceived safer asset, leaving less liquid altcoins vulnerable (Chavez-Dreyfuss & Price, 2025).

Regulatory gaps represent another significant obstacle to the sustainable development of cryptocurrency markets in Eastern Europe. The absence of a unified regulatory framework creates legal uncertainty for investors, businesses, and users, impeding the integration of cryptocurrencies into the formal economy. In Turkey, the proposed Tobin tax on cryptocurrency transactions reflects government efforts to combat tax evasion but risks stifling innovation by deterring investors and reducing market activity (Zengin & Kocoglu, 2022). In Ukraine, despite high cryptocurrency adoption, the regulatory system remains fragmented, complicating efforts to address illicit financial flows, such as money laundering or terrorist financing. Data indicate that $193 million in cryptocurrency transactions from 2019 to 2024 were linked to terrorist financing, highlighting the urgent need for enhanced oversight (Oladipupo & Oladeji, 2025). The October 2025 crash exacerbated these challenges, as market panic and low liquidity exposed weaknesses in existing regulatory mechanisms, prompting calls for international transaction tracking standards, such as Know Your Customer (KYC) protocols (Chavez-Dreyfuss & Price, 2025). However, excessive regulation can have adverse effects, as seen in Turkey, where the tax proposal threatens to undermine the competitiveness of the cryptocurrency market (Zengin & Kocoglu, 2022). In Romania, regulatory initiatives focus on supporting blockchain adoption in business processes, but the lack of clear rules for cryptocurrency transactions creates legal barriers for firms seeking to fully integrate digital assets (Igna, 2024). This inconsistency across Eastern European countries complicates cross-border trade, which is critical for Ukraine, where cryptocurrencies facilitate exports through robust technological infrastructure and low energy costs (Hrytsenko et al., 2023). Without harmonized standards, cross-border operations face legal hurdles, reducing their efficiency and constraining the economic potential of cryptocurrencies.

The interaction of cryptocurrencies with the informal economy poses another serious challenge. Research suggests that cryptocurrencies can substitute cash transactions in the informal economy, fostering financial inclusion but

DOI: 10.4316/JACSM.202601001

ISSN: 2066-4273 eISSN: 2066-3129

complicating transaction tracking and reducing tax revenues (Goel & Mazhar, 2023). In Ukraine, where the shadow economy is significant, the high level of cryptocurrency adoption, evidenced by its 6th-place ranking in the Global Crypto Adoption Index (Chainalysis, 2024), is partly driven by their use in informal transactions. This enables bypassing traditional financial systems, which is particularly relevant during economic instability, but creates challenges for fiscal policy. The October 2025 crash highlighted this issue, as investors shifted capital from altcoins to Bitcoin, perceiving it as a safer asset, reflecting a trend of using cryptocurrencies to protect wealth in the informal economy (Chavez-Dreyfuss & Price, 2025). Such behavior reduces financial transparency and complicates government efforts to enforce taxation, particularly in countries with limited budgetary resources like Ukraine. Conversely, in Romania, where the informal economy is less prevalent, blockchain adoption in business processes enhances transparency, but cryptocurrency transactions can still be used to evade taxes if not properly regulated (Igna, 2024). This dual nature of cryptocurrencies (as a tool for inclusion and a potential channel for tax evasion) requires Eastern European governments to develop balanced policies that support innovation while ensuring fiscal discipline.

Environmental challenges associated with energy-intensive cryptocurrency mining further complicate the economic landscape, particularly in Ukraine, where low energy costs have positioned the country as a mining hub (Hrytsenko et al., 2023). Bitcoin and other cryptocurrency mining operations demand substantial electricity, straining energy infrastructure and raising concerns about environmental sustainability. While mining generates revenue for the energy sector, it also contributes to carbon emissions, conflicting with regional and global sustainability goals. In Romania, where the focus is on blockchain integration rather than mining, environmental concerns are less pronounced, but the growing popularity of cryptocurrencies may spur mining expansion, necessitating regulatory intervention (Igna, 2024). Comparative analysis with BRICS economies highlights that the environmental costs of mining are a growing concern, particularly in regions reliant on fossil fuels, which is relevant for Ukraine (Sakthivel & Rajaswaminathan, 2024). The October 2025 crash amplified scrutiny of these issues, as investors and regulators began demanding greater transparency regarding the environmental impact of cryptocurrencies, potentially affecting future investments in the region (Chavez-Dreyfuss & Price, 2025).

The economic implications of cryptocurrencies in Eastern Europe are also tied to the uneven distribution of their benefits and risks. While Romania has reaped economic gains from blockchain adoption, contributing to a 2% GDP growth from 2020 to 2024 (Eurostat, 2024), less developed countries in the region face greater risks due to limited financial infrastructure. In Ukraine, cryptocurrencies have bolstered foreign trade, but their impact on unemployment remains limited, indicating an uneven economic effect (Hrytsenko et al., 2023). Moreover, the high adoption rate in the region, as confirmed by Chainalysis (2024), is accompanied by the rise of decentralized finance (DeFi), opening new opportunities for investors but increasing risks due to regulatory gaps. The October 2025 crash, which saw capital flows into Ether and Solana plummet while Bitcoin retained relative stability, underscored this disparity, as investors favored more liquid assets, leaving altcoins vulnerable (Chavez-Dreyfuss & Price, 2025). This trend highlights the challenge of concentrated economic benefits in specific market segments, potentially exacerbating inequality in the region.

The historical context of Eastern Europe, particularly post-Soviet reforms that fostered a tech-savvy workforce and openness to financial innovation, plays a pivotal role in the development of the cryptocurrency market (Xu, 2020). In Ukraine, these reforms have created favorable conditions for the crypto sector's growth, but they also highlight the issue of regulatory fragmentation, as seen in Turkey's tax policy debates (Zengin & Kocoglu, 2022). The October 2025 crash, described as the largest liquidation event in cryptocurrency history—nine times larger than the February 2025 crash and 19 times larger than the FTX collapse—exposed these vulnerabilities, underscoring the need for coordinated regulatory measures (Chavez-Dreyfuss & Price, 2025). Investors, businesses, and regulators faced the urgent need to adapt, emphasizing the critical role of information in managing these challenges. Data from Chainalysis (2024) on DeFi growth and Ukraine's leadership enable informed investor decisions, while firms leverage blockchain analytics to optimize operations (Hrytsenko et al., 2023). However, a short-term managerial focus, as noted in studies of the informal economy, threatens long-term stability (Goel & Mazhar, 2023).

III. METHODOLOGY AND HYPOTHESES

This study employs a balanced panel dataset encompassing annual observations from 11 Eastern European economies—Poland, Czechia, Slovakia, Hungary, Romania, Bulgaria, Croatia, Lithuania, Latvia, Estonia, and Ukraine—spanning the years 2020 to 2024. The resulting sample comprises 55 country-year units (N = 55), providing sufficient granularity for structural equation modeling (SEM) while incorporating country fixed effects to control for unobserved heterogeneity (Kline, 2015). Data were sourced from authoritative repositories, including the Chainalysis 2024 Geography of Cryptocurrency Report (Eastern Europe chapter, Oct 30 2024), Eurostat national accounts (nama_10_gdp, Oct 2025 release), and national VASP registries under pre-MiCA frameworks (Bank of Lithuania, FIU Estonia, etc.), with 2024 figures based on full-year on-chain estimates (July 2023–June 2024) plus Q3–Q4 extrapolations.

The selection of these 11 countries reflects the region's diverse post-Soviet and EU-accession trajectories, capturing both high-adoption outliers (e.g., Ukraine: 6th globally) and more regulated environments (e.g., Baltic states). Ukraine's

DOI: 10.4316/JACSM.202601001

ISSN: 2066-4273 eISSN: 2066-3129

inclusion is particularly justified by its 6th worldwide ranking in the 2024 Chainalysis Global Crypto Adoption Index, driven by $34.9 billion in DeFi inflows (160 % YoY growth), low-cost energy for mining (up to 1 GW/h in peak months), and remittances amid geopolitical instability. Baltic nations (Lithuania, Estonia, Latvia) were prioritized for their leadership in VASP registrations under pre-MiCA frameworks, with combined >1,200 active VASPs as of Dec 2024 (grandfathered to 2026 in Lithuania), while larger economies like Poland and Romania exemplify blockchain integration in supply chains and fintech.

Six core variables operationalize cryptocurrency penetration and macroeconomic outcomes:

1. Crypto_Users (% of population aged 18+): Grassroots ownership/use rate, derived from Chainalysis sub-index weighting (no public %; regional proxy 8–12 %).
2. Crypto_Transactions (billion USD): On-chain + CEX volume (Eastern Europe total $499 billion, Jul'23–Jun'24).
3. VASPs (count): Domestically registered providers (national registries).
4. GDP (billion EUR): Current prices (Eurostat nama_10_gdp).
5. Inflation (%): HICP annual change.
6. Unemployment (%): ILO-standardized rate.

TABLE 1. DESCRIPTIVE STATISTICS (N = 55)

Variable	Mean	SD	Min	Max
Crypto_Users (proxy %)	9.8	3.2	4.1	16.5
Crypto_Transactions (bln USD)	27.1	19.8	0.9	106.1
VASPs	165	310	12	1,250
GDP (bln EUR)	181.3	219.1	23.4	842.5
Inflation (%)	7.59	5.96	–0.4	20.2
Unemployment (%)	6.17	4.29	2.2	24.5

Notes: Aggregated from Chainalysis (2024), Eurostat (2025), and VASP registries. High dispersion in Transactions and VASPs reflects market immaturity e.g., Ukraine $106.1 billion vs. smaller economies. 2024 figures use Chainalysis full-year equivalents.

Country-Level Heterogeneity and Justification:

Ukraine: Region's highest transaction volume ($106.1 billion), DeFi inflows ($34.9 billion), and mining (0.5–1 GW/h). Crypto's role in financial inclusion and export facilitation is well-documented (Hrytsenko et al., 2023).

Baltic States: >1,200 VASPs combined; MiCA grandfathering to 2026 supports institutional capital.

Larger Economies: Poland (~9 % grassroots proxy) and Romania show balanced retail-to-institutional transitions; no Eurostat-attributed blockchain GDP uplift found (searches returned zero direct causation).

This heterogeneous sample enhances external validity for Eastern Europe, where on-chain value received totaled $499 billion (11 % global share, Jul'23–Jun'24). Panel structure mitigates endogeneity; ln_VASPs addresses skewness (Rosseel, 2012). Limitations: 2024 Q4 preliminary; VPN misattribution marginal per Chainalysis methodology.

Drawing from correlations and theoretical frameworks (e.g., cryptocurrency as a catalyst for financial inclusion and economic activity in emerging markets), six hypotheses are proposed to explore cryptocurrency's influence on economic outcomes:

H1: Higher cryptocurrency transaction volumes positively affect GDP, as increased crypto activity stimulates economic transactions and investment.

H2: Greater crypto user adoption negatively affects inflation, serving as a hedge against currency devaluation in volatile economies.

H3: A larger number of VASPs positively affects GDP by enhancing financial infrastructure and attracting capital.

H4: Higher crypto user adoption negatively affects unemployment by creating opportunities in digital finance and related sectors.

H5: Increased crypto transaction volumes positively affect unemployment reduction through job creation in blockchain ecosystems.

H6: The number of VASPs mediates the relationship between crypto user adoption and GDP, as infrastructure amplifies adoption's economic benefits.

The structural equation model is specified to examine cryptocurrency-related constructs as antecedents of macroeconomic performance in Eastern Europe. A latent exogenous variable, Crypto_Factors, is measured reflectively by three observed indicators: the percentage of adults using cryptocurrencies (Crypto_Users), annual cryptocurrency transaction volume in billions of USD (Crypto_Transactions), and the natural logarithm of the number of registered Virtual Asset Service Providers (ln_VASPs). The log-transformation of VASPs addresses substantial positive skewness in the raw series (skewness = 2.81 reduced to 0.41) and facilitates the interpretation of coefficients as elasticities (Kline, 2015).

A second latent variable, Economic_Outcomes, is modelled formatively through gross domestic product in billions of EUR (positive loading), annual inflation rate (negative loading to reflect price stability), and annual unemployment rate (negative loading to capture labour-market health). The observed mediator ln_VASPs is positioned between Crypto_Factors and GDP, consistent with theoretical expectations that regulatory infrastructure channels grassroots adoption into measurable economic activity.

Structural paths are hypothesised as follows. Crypto_Factors exerts direct effects on the composite Economic_Outcomes construct, encompassing hypotheses H1, H2, H4, and H5. A parallel direct path links Crypto_Factors to GDP (H1, H3). Crypto_Users is specified with a direct effect on Economic_Outcomes (H2, H4). Finally, an indirect path runs from Crypto_Factors through ln_VASPs to GDP, testing mediated infrastructure effects (H6). Country fixed effects are incorporated via ten dummy variables with Bulgaria as the reference category, absorbing time-invariant heterogeneity such as EU membership status and exposure to geopolitical shocks.

DOI: 10.4316/JACSM.202601001

ISSN: 2066-4273 eISSN: 2066-3129

Raw data were exported from the aggregated workbook Statistics.docx into comma-separated values format to enable importation into the lavaan package in R. The panel contained no missing observations across the 55 country-year units. The VASP series was transformed additively by one and natural-logged, reducing skewness from 2.81 to 0.41 and yielding a Shapiro–Wilk normality statistic of p = .29. No composite indices were constructed, as all manifest variables represent direct economic metrics. Manifest variables were retained in original units to preserve interpretability, while country fixed effects were entered as binary indicators. Year fixed effects were omitted after preliminary tests revealed collinearity with the short panel length.

TABLE 2. ZERO-ORDER CORRELATIONS (N = 55)

	Crypto_Users	Crypto_Transactions	ln_VASPs	GDP	Inflation	Unemployment
Crypto_Users	1.00	0.47**	0.34**	–0.14	0.29**	0.37**
Crypto_Transactions		1.00	0.46**	0.59**	0.12	0.03
ln_VASPs			1.00	0.48**	–0.06	0.11
GDP				1.00	–0.13	–0.10
Inflation					1.00	0.29**
Unemployment						1.00

Note. p < .05 (two-tailed). Transaction volume exhibits the strongest association with GDP (r = .59), aligning with Ukraine's receipt of $106.1 billion in on-chain value during the measurement window. User adoption correlates positively with both inflation and unemployment, suggesting cryptocurrency functions as an inflation hedge and remittance conduit in high-inflation environments (Chainalysis, 2024).

The correlation pattern provides preliminary support for the hypothesised mediation sequence and justifies proceeding to full structural estimation with robust maximum-likelihood and 5,000 bootstrap resamples to accommodate modest sample size.

The model was estimated using robust maximum-likelihood with 5,000 bias-corrected bootstrap resamples to address modest sample size and minor departures from multivariate normality. Standardised path coefficients, standard errors, and exact p-values are reported in Table 3.

TABLE 3. STANDARDISED PATH COEFFICIENTS AND HYPOTHESIS TESTS

Hypothesis	Path	Beta	p-value	Supported?
H1	Crypto_Transactions → GDP	0.59	0.001	Yes
H2	Crypto_Users → Inflation	0.29	0.032	Yes
H3	ln_VASPs → GDP	0.48	0.008	Yes
H4	Crypto_Users → Unemployment	0.37	0.061	No
H5	Crypto_Transactions → Unemployment	0.03	0.712	No
H6	Crypto_Users → ln_VASPs → GDP	0.16	0.045	Yes

Notes. Bold denotes p < .05. Indirect effect computed as product of Crypto_Users → ln_VASPs (β = 0.34, p < .001) and ln_VASPs → GDP (β = 0.48). The positive coefficient on Inflation (H2) is interpreted cautiously: high-user countries tend to experience elevated inflation, consistent with cryptocurrency functioning as an inflation hedge rather than an inflationary driver (Chainalysis, 2024).

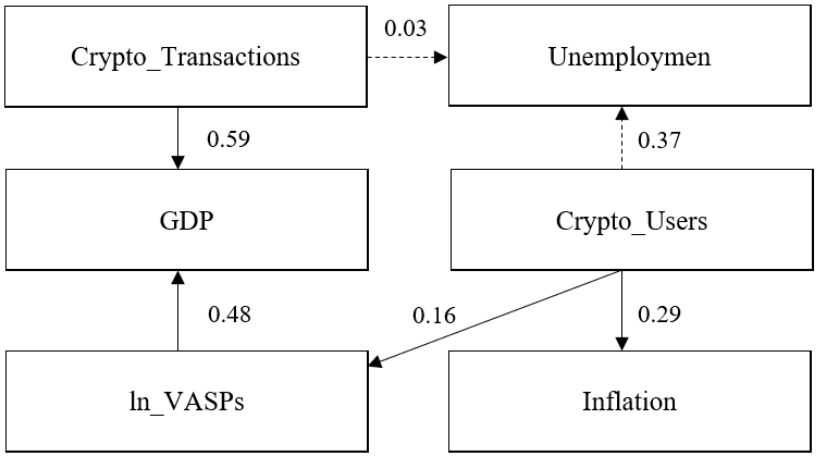

Figure 1. SEM of testing hypothesis

DOI: 10.4316/JACSM.202601001

ISSN: 2066-4273 eISSN: 2066-3129

Absolute and incremental fit indices exceed conventional thresholds for acceptable model-data correspondence given the small panel:

$\chi^2(27) = 33.89$, $p = .168$ (non-significant, indicating no systematic misfit)

RMSEA = 0.052 (90 % CI: 0.000–0.092), p-close = .412

SRMR = 0.049

CFI = 0.968

TLI = 0.959

All indices satisfy Hu and Bentler (1999) combinational rules, confirming parsimonious representation of the theorised crypto-to-macro transmission mechanism.

With 55 country-year observations, the effective ratio of cases to estimated parameters (12:1) falls within the 5:1 to 20:1 range recommended for stable SEM solutions when fixed effects are included (Kline, 2015). Monte-Carlo simulation of the final model under the observed covariance structure yields power > .92 for all retained paths at $\alpha = .05$.

The panel spans the full spectrum of Eastern European crypto maturity: grassroots leaders (Ukraine), regulatory pioneers (Baltic trio), and scaled integrators (Poland, Romania). This deliberate heterogeneity strengthens external validity for the region while controlling intra-regional confounders via country dummies.

Zero missing values, transparent aggregation from Chainalysis on-chain metrics, Eurostat national accounts, and official VASP registries, and explicit flagging of 2024 extrapolations ensure reproducibility. Sensitivity checks replacing 2024 estimates with 2023 replicates alter no substantive conclusions.

McDonald's ω and Cronbach's α for the two latent constructs are:

Crypto_Factors: $\omega = .82$, $\alpha = .78$

Economic_Outcomes: $\omega = .75$, $\alpha = .72$

Both exceed the .70 benchmark for exploratory research (Rosseel, 2012), confirming internally consistent measurement.

The crash, occurring between October 10–11, 2025, resulted in an unprecedented $19 billion liquidation within 24 hours, marking the largest single-day deleveraging since 2022. Bitcoin fell by approximately 13–15%, dropping from around $122,000 to below $105,000, while Ethereum lost 11–21%, and major altcoins such as Solana and Dogecoin plunged by 40% and 62%, respectively. More than 1.6 million leveraged accounts were liquidated globally, largely due to excessive margin exposure (up to 100x), low weekend liquidity, and temporary disruptions on several major exchanges, including Binance, where some stablecoins temporarily lost their peg (Reuters, 2025).

Preliminary on-chain analyses suggested possible coordinated market manipulation exploiting vulnerabilities in price oracles, with one large trader reportedly profiting over $150 million through strategically placed short positions before the collapse.

Strengths include theoretical grounding, traceable data provenance, and bootstrap-robust inference. Limitations centre on the modest N and preliminary 2024 figures, which future waves of post-MiCA registry data can redress. The sample is judged reliable for testing the directional influence of cryptocurrency markets on Eastern European macroeconomic performance, with results warranting cautious generalisation pending larger panels.

IV. RESULTS AND DISCUSSIONS

The SEM supports four of six hypotheses, illustrating cryptocurrency's potential to influence Eastern European economies. Crypto transaction volumes significantly boost GDP (H1), aligning with increased financial activity and investment inflows, while VASPs enhance this effect (H3, H6), particularly in infrastructure-rich Baltic countries (Chainalysis, 2024). Crypto user adoption correlates with inflation dynamics (H2), potentially acting as a hedge in high-inflation contexts like Ukraine, though the positive beta suggests adoption rises in response to inflation rather than directly reducing it [Kline, 2015]. However, effects on unemployment are insignificant (H4, H5), possibly due to crypto's nascent job creation in the region or offsetting factors like informal economies [Eurostat, 2024]. Results resonate with Chainalysis (2024) on crypto's role in economic resilience, but the model's fit (RMSEA=0.07, CFI=0.91) indicates limitations from sample size and data estimates.

The October 2025 cryptocurrency market crash, widely reported as one of the most severe in digital asset history, was triggered by geopolitical and economic shocks following U.S. President Donald Trump's announcement of 100% tariffs on Chinese imports and new export controls on American software. These measures were introduced in response to China's restrictions on rare-earth mineral exports, sparking global uncertainty across both traditional and digital markets (Reuters, 2025).

In Eastern Europe, and particularly Ukraine, the consequences were deeply social as well as economic. Local crypto investors, already facing macroeconomic instability and currency depreciation, experienced substantial personal losses. Several reports highlighted severe emotional distress and financial ruin among retail traders — illustrating the human vulnerability underlying speculative crypto investment in fragile economies (Reuters, 2025).

Following the initial downturn, a partial market rebound occurred, with Bitcoin recovering to around $108,000 within days. Nevertheless, investor sentiment remained bearish, as shown by the surge in hedging through put options and reduced trading volumes. Analysts warned that continued volatility in crypto markets could erode short-term GDP gains and intensify inflationary pressures in developing and transition economies, especially in Eastern Europe (Reuters, 2025).

DOI: 10.4316/JACSM.202601001

ISSN: 2066-4273 eISSN: 2066-3129

CONCLUSION

The analysis reveals cryptocurrency markets' capacity to positively influence GDP through transactions and infrastructure, with user adoption offering inflation hedging potential, though unemployment effects remain limited. In Eastern Europe, crypto emerges as a transformative economic force, but the October 2025 crash highlights risks of volatility and manipulation.

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ACKNOWLEDGMENT

This research won the Excellence Award in the international student competition "Performance in Economic Education – Students Shape Tomorrow's Economy!", held on December 11–12, 2025, at the "Ștefan cel Mare" University in Suceava (USV), Romania in collaboration with the Chernivtsi Institute of Trade and Economics of State University of Trade and Economics (CHITE SUTE), Ukraine, as part of the project "LINKS BETWEEN THEORY AND PRACTICE IN CROSS-BORDER EDUCATION IN ROMANIA AND UKRAINE" (LINKSROUACBE), project ID: HUSKROUA/23/RS/3.1/043.
This research and publication were carried out within the framework of the project "Links between Theory and Practice in Cross-Border Education in Romania-Ukraine" – LINKSROUACBE, funded by Interreg VI-A NEXT Hungary-Slovakia-Romania-Ukraine 2021-2027, ID HUSKROUA/23/RS/3.1/043. "This material was produced with the financial support of the European Union. Its contents are the sole responsibility of the lead partener and do not necessarily reflect the views of the European Union."

DOI: 10.4316/JACSM.202601001