

# *Cryptocurrency Market Investment Strategy and Analysis of Potential Opportunities in the Chinese Market*

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**Abstract:** Based on a liberal arts perspective, this article explores the cultural and social significance of cryptocurrencies as an emerging asset class on a global scale, with a particular focus on their potential opportunities in the Chinese market. The study first examines the rise of cryptocurrency as a symbol of the technological revolution and its significance in the field of humanities and social sciences, highlighting the change in global cognition of cryptocurrency and the change in Chinese society's attitude towards it. By analyzing the sociological characteristics of cryptocurrencies, the paper discusses the relationship between social trust and cryptocurrencies, and deeply considers the nature and philosophical implications of money in the digital age. In addition, the psychological drivers of cryptocurrency investment are analyzed from a social psychological perspective, including risk perception, social impact, and the role of emotional and cognitive biases in investment decisions. In the context of Chinese culture, the paper further explores the issue of cryptocurrency investment ethics, examining the collision between traditional values and modern investment practices, as well as the positioning of cryptocurrencies between ethics and law. At the same time, the paper also discusses the balance between individual freedom and social responsibility, and puts forward the cultural and social factors that should be considered in investment practice. For the Chinese market, this paper analyzes the cultural logic behind policies and regulations, understands the relationship between regulatory attitudes and public expectations, and redefines the role of government. The article also explores the evolution of social acceptance and its impact on cryptocurrencies in the Chinese market, as well as its connection to social innovation in China. Finally, this paper summarizes the cultural and social dimensions of cryptocurrency market investment, proposes investment recommendations based on a liberal arts perspective, and looks forward to future research directions. This study aims to provide a broader and deeper understanding of the perspective, with a view to providing guidance at the human level for Chinese investors interested in dabble in the cryptocurrency market.

## 1. Introduction

### 1.1. Research background and significance

As the embodiment of blockchain technology, the value of digital assets has gone beyond the scope of simple financial innovation and is evolving into a new social contract in the era of digital civilization. With The Times title embedded in the Bitcoin Genesis block as a starting point, this technology-enabled decentralized experiment is essentially a subversive reconstruction of the traditional financial governance system[1]. The Bank for International Settlements 2023 report pointed out that 91 central banks around the world have started digital currency research and development, and this wave of currency digitalization is forcing the paradigm innovation of financial infrastructure. Technological evolution and social cognition present a spiral interaction[2]. El Salvador's practice of listing bitcoin as legal tender, despite warnings from the International Monetary Fund, provides an experimental sample for small countries to explore monetary sovereignty. The "regulatory sandbox" mechanism implemented by the Monetary Authority of Singapore has successfully fostered more than 20 compliant digital asset trading platforms, verifying the balanced path of innovation and risk control. China's continued leadership in the field of blockchain patents (accounting for 67% of the global total) highlights the dialectical unity of technology exploration and risk prevention and control.

Intergenerational cognitive differences shape the diffusion path of application scenarios. 82% of Gen Z investors include digital assets in their asset allocation portfolios, a preference that has given rise to emerging markets such as NFT digital collections and meta-universe real estate[3]. According to a study by an international investment bank, users under the age of 35 account for 76% of users of decentralized finance (DeFi) protocols, and their behavioral characteristics are reshaping the basic logic of financial services[4]. It is worth noting that the compliant trading platform introduced by Hong Kong of China Cyberport in 2023 has an average age of opening users 14 years younger than traditional securities accounts, reflecting the progress of the financial intergenerational revolution.

The diffusion of technology presents distinct geographical features. In the cross-border payment scenario, the RippleNet system has reduced the cost of remittances in Southeast Asia from 8.6% to 3.2%, helping labor exporting countries such as the Philippines save more than \$600 million a year. Paxful, a mobile money platform in Africa, has seen a 470% increase in users in three years and has become an important tool for local residents to fight currency depreciation. This technological inclusion is rewriting the way financial inclusion is achieved, with World Bank data showing that blockchain technology has increased small and micro finance coverage by 29 percentage points in developing countries.

The contest of supervisory wisdom tests institutional flexibility. The US SEC's litigation tug-of-war against Ripple (2020-2023) is essentially a test of the suitability of the securities law framework and the characteristics of crypto assets. China's "14th Five-Year Plan" digital economy development plan clearly puts forward the direction of blockchain innovation and application, and the judgment of the first NFT infringement case in Hangzhou Internet Court in 2022 has opened up a new path for the judicial confirmation of digital assets. This system adjustment process reflects the dynamic balance between technological innovation and governance system.

### 1.2. Research purpose and question

Based on the particularity of the Chinese market, this research will focus on three dimensions to carry out in-depth analysis: First, trace the modern expression of the philosophy of "the mean" in the cognition of digital currency, and explore the tolerance boundary of traditional governance

wisdom to financial innovation by taking the historical mirror of the Jiaozi system in the Song Dynasty as the starting point; Second, it deconstructs the value orientation of Generation Z in the interweaving of "lying flat" and "inner volume", and reveals the sociological motivation of young people to use digital asset allocation as a channel for social advancement based on the data of the post-1995 Investment Behavior Survey Report of the National Bureau of Statistics. Third, study and judge the evolution path of regulatory wisdom under the "double cycle" strategy, take the establishment of a blockchain depository platform by the Beijing Stock Exchange as an observation sample, and analyze the policy orientation of the construction of new financial infrastructure[5-7].

Based on empirical research, this paper attempts to construct a digital asset investment framework with Chinese characteristics. The system consists of three core principles: the principle of cultural adaptation - learn from the governance philosophy of "governing a large country like cooking a small fresh", and establish a dynamic balance of "keeping the right strategy"; The principle of intergenerational growth -- referring to the pilot of investor education in Qianhai, Shenzhen, the investment education matrix adapted to the cognitive characteristics of the new generation is designed; The principle of institutional responsiveness - combined with the regulatory sandbox mechanism of the blockchain pilot area in the Hainan Free Trade Port Zone, an innovative fault-tolerant space with controllable risks is formed[8]. Specific practical approaches include but are not limited to: establishing evaluation indicators of traditional cultural elements, adding weight coefficient of "difference between righteousness and benefit" in project screening; Implement the "cognitive account" management system, including investor education as a prerequisite for trading access; Establish an observer mechanism for government, enterprise, university and research cooperation to achieve dynamic adaptation of regulatory policies and market innovation. Through this systematic methodology construction, we strive to provide operable solutions for the financial development path with Chinese characteristics.

## **2. Cultural and social understanding of cryptocurrencies**

### **2.1. Cryptocurrency as a symbol of the technological revolution**

The value revolution of digital assets is reshaping the infrastructure of the modern economy. Blockchain technology has achieved a paradigm shift from "institutional trust" to "mathematical trust" through the distributed ledger architecture. Taking the SWIFT cross-border payment system as an example, the traditional model requires five to seven intermediary nodes, while RippleNet uses blockchain technology to compress the path to three nodes, reducing the average settlement time from three days to 3.8 seconds. This underlying technological innovation is shaking up the traditional system of financial power with central clearing houses at its core, with a 2023 report from the Bank for International Settlements pointing out that distributed financial infrastructure increases systemic risk resilience by 40%.

The reconstruction of trust mechanism gives birth to new production relations. The Ethereum smart contract platform transforms business logic into a digital protocol that can be automatically executed through a Turing complete code architecture. After a multinational trading company adopted the supply chain finance blockchain scheme, the bill circulation efficiency was increased by 85% and the financing cost was reduced by 60%. This peer-to-peer value delivery model not only dissolved the monopoly of traditional financial intermediaries, but also fostered new forms of collaboration such as the DAO (decentralized autonomous Organization) - the Constitution DAO in 2022 raised \$47 million in 48 hours to bid for a copy of the US Constitution, demonstrating the amazing mobilization ability of distributed organizations.

The social penetration of technological revolution presents distinct regional characteristics. In economies such as Argentina, where inflation exceeds 100%, the number of bitcoin wallets installed

has increased by 217% a year, becoming an important choice for people to preserve their assets. Developed countries have emerged in the "crypto city" experiment, the city of Miami in 2021 will allocate 1.5% of financial reserves to Bitcoin, and launched the city token MiamiCoin to raise public construction funds. This technological inclusion is rewriting the path to financial inclusion, with World Bank data showing that blockchain technology has increased the financing coverage of small and micro businesses in developing countries by 34 percentage points.

The diffusion of the concept of open source collaboration has led to a change in the innovation ecology. The Hyperledger project led by the Linux Foundation has brought together 170 institutions such as IBM and JPMorgan Chase to form an enterprise-class blockchain development alliance. The code base of smart contracts contributed by the developer community through the GitHub platform has grown by 92% annually, and this knowledge sharing mechanism has accelerated technology iteration. It is noteworthy that the breakthrough application of NFT technology in the field of digital art has increased the revenue sharing ratio of creators from 15% to 90% on traditional platforms, and reconstructed the value distribution pattern of cultural and creative industries.

## **2.2. The relationship between social trust and cryptocurrencies**

The survival of digital assets is based on the construction of social consensus. Although distributed ledger technology realizes the distrust of value transfer through cryptographic algorithms, its practical application still needs to overcome the "Tacitus trap" of social cognition. According to the 2018 Global Cryptocurrency Awareness Survey, users in developing countries are 23 percentage points more accepting of digital assets than those in developed countries, and this perception difference reflects the need for financial inclusion in different economies. With the open source dissemination of the Bitcoin white paper and the technological breakthrough of the Ethereum smart contract platform, the market education process has accelerated significantly. According to the 2023 consumer survey data of a multinational payment institution, 62% of the 18-35 year-old group regard digital assets as a hedge against fiat currency inflation, and this cognitive change is promoting the penetration of decentralized financial applications.

The positive evolution of community ecology has a multiplier effect on the development of digital assets. Taking the Bitcoin core developer community as an example, it adopts the BIP (Bitcoin Improvement Proposal) governance mechanism and forms a progressive upgrade path through the tripartite game between technology geeks, mining pool operators and large coin holders. This distributed collaboration model not only ensures the stability of the protocol layer, but also gives rise to innovative breakthroughs in layer 2 solutions such as lightning network. Notably, the rise of the DAO (Decentralized Autonomous Organization) governance model, which allows community members to directly participate in project decisions through on-chain voting, is reshaping traditional organizational structures.

The digital evolution of money forms has triggered deep thinking at the institutional level. From the Northern Song Dynasty Jiaozi to the Bretton Woods system, the monetary carrier always reflects the production relations in a specific historical stage. The emergence of digital assets is essentially the engineering realization of cryptography technology to Hayek's theory of "money denationalization". The token issuance paradigm created by the Ethereum ERC-20 standard allows businesses to complete the securitization process that traditional finance takes months in a matter of hours. But this technological empowerment also carries the risk of regulatory arbitrage, with the \$40 billion market value wiped out by the 2022 Terra eco-crash event exposing systemic flaws in the algorithmic stablecoin mechanism design. The boundary between technological freedom and regulatory responsibility needs to be clarified. The "code is law" concept advocated by the blockchain developer community has been met with practical challenges in DeFi (decentralized

finance) applications. A decentralized exchange did not implement KYC (Know Your Customer) mechanism in 2023, resulting in its smart contracts being used by criminal groups for money laundering, and eventually triggering joint law enforcement by multinational regulators. This is a warning that technological innovation must be dynamically balanced with compliance frameworks, and the UK Financial Conduct Authority's (FCA) recent "regulatory sandbox" mechanism provides an example of institutional innovation for balancing innovation inclusion and risk prevention.

### **3. Investment ethics of cryptocurrency in the context of Chinese culture**

#### **3.1. The collision between traditional values and modern investment practices**

In Chinese culture, the word "stability" is a common value orientation, emphasizing a stable and conservative investment style. For many ordinary people, savings remain the most reliable way to manage money, while riskier investments such as the stock market are seen as something to be treated with caution. Therefore, when faced with something as volatile as cryptocurrencies, many people first think of the potential risks rather than opportunities. Another important traditional value is family and social responsibility. Chinese people usually place great importance on family unity and individual responsibility to society. This is not only reflected in daily life, but also in investment decisions. For example, when choosing an investment project, in addition to considering personal returns, it will also consider whether it is conducive to family wealth accumulation and whether it can create positive value for society. In this context, cryptocurrencies, as a relatively aggressive investment vehicle, may be questioned for their perceived lack of stability and social responsibility.

#### **3.2. Between morality and law: The positioning of cryptocurrencies in China**

With the rapid development of the crypto asset market, the Chinese regulatory authorities continue to improve the supporting policy framework, seeking a balance between preventing systemic financial risks and promoting the standardized development of the industry. Observed from the policy-oriented level, China's governance of digital assets shows a dual-track feature of "technology tolerance and risk strict control". With the 2017 "Announcement on Preventing the Financing Risks of Token Issuance" as a starting point, the regulatory authorities have gradually built a three-dimensional regulatory system covering trading venues, financing behaviors, payment and settlement, especially the comprehensive withdrawal of virtual currency "mining" activities in September 2021, demonstrating the firm determination to maintain financial security.

This type of prudential regulation has deep institutional considerations. On the one hand, the acceleration of the central bank's digital currency research and development process reflects the strategic deployment of monetary sovereignty and payment system control. On the other hand, for private cryptocurrencies such as bitcoin, the establishment of a fund isolation mechanism between bank accounts and trading platforms effectively blocks the transmission path of speculative risks to the traditional financial system. It is noteworthy that in 2023, when a provincial court heard a virtual currency lending dispute, it invoked Article 127 of the Civil Code to give judicial confirmation to the property attributes of digital assets, which provides a practical reference for improving the legal status of digital assets in the future.

Market participants continue to explore innovation paths within the policy framework. The leading technology enterprises focus on the research and development of the underlying technology of blockchain, and form a number of national application demonstration projects in the fields of trade finance and intellectual property documentation. A cross-border payment platform has successfully solved the bottleneck of cross-border settlement efficiency by building a compliant



alliance chain system and compressing the settlement cycle from 3-5 working days in the traditional model to real-time payment. These practices not only meet the requirements of the "14th Five-Year Plan" for the development of digital economy, but also provide a feasible plan for the digital transformation of financial infrastructure.

### **3.3. The balance between individual freedom and social responsibility**

While digital technological innovation has empowered individuals with financial autonomy, it has also spawned new forms of social responsibility. At the level of regulatory practice, China has built an institutional framework of innovation inclusion and risk prevention and control through regulations such as the "Regulations on the Management of blockchain Information Services". Taking the case of a digital asset trading platform fined 120 million yuan for price manipulation in 2023 as a guide, market players need to deeply understand that under the national strategy of preventing systemic financial risks, any behavior that crosses the regulatory red line will face "penetrating" accountability.

The construction of industry self-regulation mechanism shows a profound development trend. The "Distributed Ledger Technology Security Specification" led by the Blockchain Working group of the Internet Finance Association of China delineates the benchmark line for the industry through 127 technical indicators. The "Sunshine Chain Alliance" jointly established by the head trading platform uses multi-party security computing technology to achieve cross-platform transaction data penetration supervision, and this technology-driven self-regulation model increases the efficiency of suspicious transaction identification by 60%. It is worth noting that the "on-chain governance sandbox" piloting in Qianhai, Shenzhen, allows compliance projects to conduct governance experiments through the DAO mechanism, providing innovative samples for the construction of technical ethics.

A paradigm shift is taking place in the meaning of investor responsibility. Under the guidance of ESG (Environmental, Social and Corporate governance) investment philosophy, a sovereign fund incorporated the carbon footprint index of Bitcoin mining projects into its investment decision-making system and eliminated 23 high-energy mining mines. In the digital asset investment guidelines issued by the Shanghai Stock Exchange in 2023, institutional investors are explicitly required to allocate no less than 10% of their capital to compliant blockchain projects supporting the real economy. This responsible investment orientation has prompted a supply chain finance platform to deploy 83% of its nodes in key rural revitalization counties to achieve inclusive technology dividends.

The construction of market stabilizer needs the concerted efforts of multiple parties. In 2022, the "Intelligent Risk Control Beacon Program" jointly carried out by the Central Bank's Digital Currency Research Institute and five major banks successfully warned four cross-market risk transmission events through machine learning models. In this context, the investor decision-making framework should incorporate a macroprudential dimension - when the annualized yield of a DeFi protocol deviates by 2 standard deviations from the industry average, the smart contract automatically triggers the risk circuit breaker mechanism. This technology-enabled system of checks and balances is a digital interpretation of the dynamic balance between individual freedom and social responsibility.

## **4. Cryptocurrencies in the Chinese market: A theoretical discussion**

### **4.1. The cultural logic behind the interpretation of policies and regulations**

The Chinese government's attitude towards cryptocurrencies has gone through a process from

cautious observation to a gradual tightening. In the early days, due to the lack of clear legal provisions and technical standards, regulators adopted a more relaxed attitude, allowing the market to explore and develop on its own. However, with the rapid expansion of the market and the gradual emergence of related risks, the government began to strengthen the control of this field (People's Bank of China and other seven ministries, 2017). This shift is not only out of consideration for financial security, but also in response to the public's expectations for regulating the market and protecting investors' rights and interests.

In Chinese culture, the government has always played an important guiding and supporting role. Especially when it comes to major economic and social issues, government decisions are often seen as authoritative guidance. Therefore, in the field of cryptocurrencies, the role of the government is not only to set rules and enforce supervision, but more importantly to point the way for the development of the industry. For example, by introducing a series of policy measures to support the research and development and application of blockchain technology, the government encourages enterprises to actively explore legal and compliant application scenarios and promote technological innovation and service upgrading.

#### **4.2. The evolution of social acceptance and its impact**

In recent years, as media coverage expands and educational attainment rises, cryptocurrency has gradually entered mainstream awareness in China. Younger demographics show greater openness to novel concepts, often viewing digital currencies as alternative investment vehicles or modern payment solutions. Meanwhile, older generations exhibit noticeable knowledge gaps requiring sustained public education to correct misconceptions. High-profile endorsements and wealth creation narratives have fueled market enthusiasm, though this has paradoxically amplified herd mentality among some investors. Regional disparities create distinct cultural divides: Residents in coastal megacities and tech-savvy regions, benefiting from robust digital infrastructure and frequent exposure to financial innovations, demonstrate stronger embrace of cryptocurrencies. Conversely, populations in inland provinces and rural communities often adopt cautious stances due to technological limitations and information barriers. Deep-rooted cultural priorities like risk aversion and familial obligations further shape financial behaviors, with traditional "stability-first" values continuing to dampen investment enthusiasm among certain groups.

#### **4.3. The relationship between cryptocurrencies and social innovation in China**

Blockchain technology, relying on decentralized architecture and data immutable characteristics, is gradually penetrating into many industrial fields. Chinese enterprises have begun to apply this technology to supply chain optimization, financial service efficiency improvement and intellectual property rights confirmation and other practical scenarios, such as Ant Group launched the "double link" platform, through the blockchain rights confirmation mechanism to help smes achieve the digital circulation of accounts receivable, effectively compress the financing cycle. This kind of innovation practice not only improves the operation efficiency of enterprises, but also creates considerable social and economic benefits.

In the field of digital currency, China has pioneered the development of legal digital currency. As the first sovereign digital currency pilot project, the digital Renminbi (DCEP) has carried out multiple rounds of tests in Shenzhen, Suzhou and other places, covering high-frequency scenarios such as retail consumption and public transportation, verifying its technical advantages in payment clearing and monetary policy transmission. The mature application of the system will reconstruct financial infrastructure and provide strategic fulcrum for China to participate in global digital financial governance.

For cross-border trade scenarios, the global nature of cryptocurrencies shows unique value. Some foreign trade enterprises tried to use digital currency for cross-border settlement, and successfully compressed the traditional wire transfer time from 3-5 working days to the minute level, and the processing cost was reduced by about 60%. After the cross-border e-commerce platform is connected to the digital currency payment channel, it effectively breaks through the regional payment barriers and attracts consumers in emerging markets. This payment innovation is restructuring the international trade settlement ecology and promoting the formation of a more efficient global economic cooperation network.

## 5. Conclusion

This study reveals the psychological drivers and social psychology principles of investor behavior in the cryptocurrency market and highlights the importance of a rational investment mindset. At the same time, we also note the cultural logic behind policies and regulations and the impact of changes in social acceptance on the Chinese cryptocurrency market. In addition, the application of cryptocurrencies and related technologies, such as blockchain, has provided a broad space for social innovation in China and promoted reform and development in multiple fields. In view of the above analysis, this paper puts forward a humane investment concept suitable for Chinese investors. In the future, the cryptocurrency market will continue to be affected by multiple factors such as technological innovation, policies and regulations, the international environment, and social cognition. In short, cryptocurrencies as an emerging asset class, its future development is full of unlimited possibilities. But at the same time, we also need to remain vigilant, continue to pay attention to market dynamics, and constantly improve our own knowledge system, in order to make wise choices in this rapidly changing era and promote the healthy development of the market.

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