In this article, you will know about cryptocurrency in general through 3 easy questions. And here they are,

1. **What is Cryptocurrency?**

A cryptocurrency is a virtual or digital currency that can be used to buy goods and services; which means there's no physical coin or bill used and all the transactions take place online.

Cryptocurrency is a decentralized digital currency that uses encryption to generate money and to verify transactions. In simpler terms, it's an alternative to traditional currencies, which are backed by a centralized government like the US Dollar (USD) and Indian Rupee (INR).

Bitcoin is the most commonly known and used cryptocurrency. However, other alternative cryptocurrencies (like Ripple, Ethereum, Litecoin, and more) called Altcoins are also growing in both public acceptance and value.

It is interesting that the first cryptocurrency which is Bitcoin was created by a pseudonymous developer named Satoshi Nakamoto in 2009, but it is not really known who that person is.

2. **How does cryptocurrency work?**

According to Satoshi Nakamoto, the founder of Bitcoin, it is a peer-to-peer electronic cash system. Thus, it is much similar to peer-to-peer file transactions (ex. torrent files), where there is no involvement of any central authority or regulator.

Cryptocurrency is a digital currency that uses encryption (cryptography) to generate money and to verify transactions. Transactions are added to a public ledger – also called a Transaction Block Chain – and new coins are created through a process known as mining.

Every cryptocurrency has a public ledger that contains the past and present ownership of each coin.

If you want to make a transaction, you simply broadcast to the cryptocurrency's network that you're transferring ownership of some cryptocurrency of yours to someone else.

The network then spends computational power on both verifying your transaction (that you do own the cryptocurrency you are spending and that you haven't spent it before), and adding it to the ledger.

In the process, this computational time and effort create a new cryptocurrency as a reward to the community members who helped make the transaction possible.

In a blockchain technology such as the Bitcoin network, each transaction consists of the involved parties (sender and receiver), wallet addresses or public keys and the amount of such transaction.

3. **What are the pros and cons of cryptocurrency?**

Advantages:

Anonymity: Unless you reveal your public key, your identity isn't tied to your cryptocurrency tokens. Let's take Bitcoin for example. Your name isn't directly tied to the Bitcoin you own. It's still a transparent network, but you can remain anonymous too. It's not like a bank account where your name, address and phone number is on the statement.

Decentralization: Corruption is a big problem. I'm not talking about conspiracy theories here. But there are prosecuted legal cases where those in power have taken advantage. Most cryptocurrencies are focused on decentralizing their networks. That means no one can influence the value of the coin or corrupt the process. Cryptocurrencies can't be controlled because there's no overarching authority.

More Control: If you have access to your private keys, you have complete control of your money. In a world where Governments can shut down your account, cryptocurrency puts the power back in your hands. That means your money can't be controlled or interfered with by a third party.

Financial System Improvement: It removes the financial hurdles many people face in poorer countries – such as getting a bank account. There are no charge-backs with cryptocurrency. With cryptocurrency, there's no middleman, third party or bank handling your money. No one can freeze or limit your account. For example, in Greece during the financial crisis, banks limited ATM withdrawals. It could even completely change the way software is programmed in the cryptocurrency industry.

24/7 Market: Stock markets have operating hours. And they typically close during the weekends, whereas cryptocurrency markets run 24/7. Plus you can trade completely online. It's the hardcore mode. So if you're a trader, that's something that you can take advantage of. You don’t have to be sat behind a screen for certain hours per day. Instead, you can trade when and wherever you’d like.

No Bank Accounts: Did you know 39% of the world doesn’t have a bank account? Some people can’t have a bank account, some don’t want one and others struggle. But this creates barriers between countries. Plus it means some businesses struggle to accept payments, and so they miss out on opportunities. With cryptocurrency, you don’t need a bank account. You just have a wallet, where you store your tokens.

Disadvantages:

Lack of Regulation Facilitates Activity on Black Market: Presumably, one of the biggest drawbacks and regulatory concerns surrounding cryptocurrency is its ability to facilitate unlawful activity. There are many grey and black market online transactions that are denominated in Bitcoin and other cryptocurrencies. Also, cryptocurrencies are increasingly popular tools for money laundering. They funnel illicitly obtained money through a “clean” intermediary, which conceals its source.

Lack of Awareness/Knowledge: People are still unaware that digital currencies like Bitcoin exist. They have no or too little background knowledge regarding cryptocurrency. Cryptocurrency is a newly introduced system and it uses quite complicated blockchain technology, loads of turns and twists to learn and adapt. Without comprehending cryptocurrency, it is risky to deal with it.

Use of Complex Technique: It is true that the use of complex algorithms makes it rare to create digital heists, but what is the point if the worker does not know about the usefulness of this very well? It becomes very difficult for customers as well as service providers to understand and use cryptocurrencies for transactions.

Highly Volatile in Nature: Since its early days, cryptocurrencies are known for having a highly volatile nature. It is unpredictable and risky to invest without understanding possible risk factors. As there is a limited amount of coins and the demand for them is increasing with each passing day. As a result, people become sceptical if they should invest in it or not.

Not Accepted Everywhere: Though the hype of cryptocurrency is rising each passing day, cryptocurrencies are still not accepted everywhere. Some countries around the globe have still not accepted and legalized the use of cryptocurrency, so it might still be difficult to transact money all around the world.

Payment Can't Be Reversed: Once you have made the payment, you can't reverse it. You need to remember your account details because in case if you forget your account details, there is no way you can retrieve it. The data will be lost and the reason why you cannot get back your account is that blockchain technology uses very tight security. This loss adds up distress.

(Sources: cryptocurrencyfacts.com; groww.com; honestproscons.com; kingpassive.com; nasdaq.com)