

The Basics Of Cryptocurrency: Understanding Bitcoin And Beyond

You can't live in the modern world and not know what cryptocurrency is. It started gaining popularity with the boom of Bitcoin and the rise in the markets, and it has only become bigger each year. It's a form of currency that many large corporations are starting to introduce as a payment method, such as PayPal and online casinos where you can play [crypto slots](#).

Since cryptocurrency is on its way to becoming a traditional form of payment, you may want to find out what it is so you aren't left behind in the financial world. It can seem daunting to people who have never used cryptocurrency before, but once you get your head around the technicalities behind it, it is really quite simple.

Here is the ultimate cryptocurrency guide for beginners:

What is cryptocurrency?

Cryptocurrency is a form of decentralised digital currency often referred to as 'crypto'. It is based on cryptography and is not issued by a central authority which most other fiat currencies such as the pound, euro, and dollar are. Instead, cryptocurrency is mined, sold, and monitored through a peer-to-peer network.

When you want to understand what cryptocurrency is, you also need to have a basic understanding of blockchain. This is the digital ledger that cryptocurrency is built on and what records any crypto transactions. It was initially built as a foundation for Bitcoin in 2009, but it has started to evolve, and lots of businesses are seeing how it can be used for [other applications](#).

How cryptocurrency works

Blockchain provides cryptocurrency with a non-hackable record of transactions and who owns what coins at the time. It works to fix the problem that many other digital currencies have faced, which is where people would make copies of their holdings. That is impossible with cryptocurrency, and therefore they are incredibly secure.

A unit of cryptocurrency, or a coin, is created through a process called mining. Let's use Bitcoin as an example. To mine Bitcoin, you need to solve mathematical equations and complex puzzles to verify the authenticity of a transaction being made on the blockchain. Because you do this to help other transactions, you're rewarded with a Bitcoin of your own. Most of the time,

the mining process is relatively similar, but it might differ depending on the cryptocurrency you're mining.

Types of cryptocurrency

As we mentioned, many cryptocurrencies are created as a reward for work completed on the blockchain they are a part of. However, different forms of cryptocurrencies have different purposes. These different coins also have unique purposes, and some may be more worth investing in than others. Here are some of the most common types of cryptocurrency:

- Utility: These are the most common cryptocurrencies which serve functions on their blockchains
- Transactional: Bitcoin is an example of a transactional cryptocurrency, where you use them to pay for goods and services like [online casinos](#)
- Governance: These cryptocurrencies help people vote and complete similar other actions on a blockchain
- Platform: These types of cryptocurrencies support applications which have been built to use a blockchain specifically
- Security tokens: You will find a security token when you want to represent your ownership over an asset

Pros of cryptocurrency

There is a reason cryptocurrency is becoming such a popular payment method and investment, and that's because there is a wide range of advantages associated with it:

- There is no central authority or 'middle man' when you're using cryptocurrency. This means all your coins are in your hands. It removes the power of central banks and stops them from reducing the value of money.
- Cryptocurrencies have been seen as a good alternative for underserved communities that have been let down by the traditional financial system.
- Since cryptocurrencies are built on blockchain technology and use a [decentralised processing system](#), it makes all transactions and payments much more secure and less likely to be hacked.
- You are able to grow your crypto holdings without having to invest your own money through a process called crypto staking. This can provide you with higher returns for less.

Cons of cryptocurrency

Just like most things, cryptocurrency has downsides as well. Here are a few disadvantages associated with the digital currency:

- Since cryptocurrency is still a relatively new payment method, many projects are untested. Many people are sceptical about things like Bitcoin becoming a traditional banking option, which makes it hard for it to grow.
- There is high volatility associated with cryptocurrency investments, and that's because the prices tend to change rapidly. Some people may have made higher returns by buying in at the right time, but others have lost out big when the markets crash.
- Mining cryptocurrencies such as Bitcoin uses a large amount of power which has detrimental effects on the environment. However, some cryptocurrencies use different ledgers that don't require as much energy.