



Understanding Tokens

What are Tokens?

A token is a thing that serves as a tangible representation of a fact, quality and can be anything of value.

Tokens are not limited and restricted to one specific role; rather, they can fulfill several roles in their native ecosystem.

Tokens can serve various purposes; for example, they can act as a gateway to decentralized applications (DApps).

Moreover, they can also qualify the holders to have certain voting rights.

Significance of Tokens

Tokens are not confined to a particular role; hence they could address multiple functions within their native ecosystem such as:

- Tokens can be used as entry points for Blockchain applications, and users will require tokens to use the decentralized applications.
- Individuals' qualifications for possessing specific voting rights could potentially be represented via tokens.
- Tokens also act as suitable entities for enhancing the holders' user experience.
- Tokens can be used as a store of value for internal and external transactions in a certain ecosystem, as well as provide a different type of monetary system, such as digital assets.
- The exchange of value is another important use of tokens.

Crypto Tokens

Crypto Tokens are special kind of virtual currency tokens that reside on their own Blockchains and represent an asset or utility.

These tokens may be used for trading, storing value, and making transactions.

Crypto tokens, which are created by an initial coin offering, are often used to raise funds for crowd purchases.

Benefits:

- Usability
- Transparency
- Cost and Speed of Exchange

How Crypto Token Works?



Fungible and Non-Fungible Tokens

Fungible Tokens

These are those types of cryptographic tokens that are basically identical or uniform and can be interchanged with other fungible tokens of the same type without any issues. Such tokens relate to the things we use every day, and it applies to real-world assets as well as digital assets.

Non-Fungible Tokens

Non-fungible tokens are special tokens that represent unique, collectible items. They are unique in the sense that they cannot be split or exactly changed for other non-fungible tokens of the same type.

Fungible Vs. Non-Fungible Tokens

Fungible Tokens	Non-Fungible Tokens
They can be used to sell or purchase assets and are conveniently interchangeable. They have no additional value.	They can be swapped out, and each token represents a unique data value.
The ERC-20 standard is used for fungible tokens.	The ERC-721 standard is used to create Non-Fungible Tokens.
They're mostly used to make deposits and keep track of account balances.	They're often used to reflect the owner's distinct personality.
The number of tokens in in owner's hands determines the value shift.	The transition of value is dependent on the token's unique value.