# What is Cryptocurrency?



Cryptocurrency is a digital currency used for financial transactions over the internet using various cryptographic protocols. The term “Crypto” is used to refer to the fact that it involves various encryption algorithms and cryptographic techniques like public-private key pairs, elliptical curve encryption, and hashing functions. Because of the high-level of encryption, cryptocurrency is difficult to duplicate.

It is a new form of online transaction where the money is completely digital which means we could see some numbers being added, multiplied, subtracted from our virtual wallet. You have to first buy the currency through bank transfer. Now, you have your virtual wallet set up. You can use this as a mode of payment for buying or selling of products from companies that accept cryptocurrencies. You can withdraw the digital currencies whenever you want depending on the exchange price of your local currency.

The technology behind many cryptocurrencies is majorly **block-chain**, where each transaction is stored in a block virtually. A time-stamped key is assigned for each block (i.e. chain). Block-chain is often defined as a “decentralized, distributed public ledger”, which means it allows digital information to be recorded and distributed over a disparate network of computers.

Bitcoin is one of the most popular and widely used among the cryptocurrencies available in the market today. It became revolutionary because it enabled peer-to-peer online payment without involving a third-party. For last few years, few companies had been accepting the currency as a mode of payment. For example, since 2014, Microsoft has been accepting Bitcoins for its online X-box store credits. The travel website, Xpedia, the retail website Overstock, famous fast-food chain Subway allows Bitcoin payments.

Facebook will soon be launching its own cryptocurrency, called FaceCoin enabling users to send money online faster. In the past, Facebook had used cryptocurrencies such as Facebook Credits, Facebook Gifts etc. However, the venture had supposedly not been very successful. With FaceCoin, which has block-chain technology as its backend, the results are expected to be successful. Read here: <https://techcrunch.com/2019/03/03/regarding-facebooks-cryptocurrency/>

In India, however, Reserve Bank Of India(RBI) has not yet regulated the usage of cryptocurrencies because of the security issues.

## Advantages

* **Reduce Frauds**: Since the cryptocurrency network is fully encrypted and there is documentation of every action, so none of them can be reversed or backtracked. Thus, it is difficult for the hackers to counterfeit.
* **No involvement of the third-parties**: Usually, any online financial transaction requires the presence of supervisory third-party which is not the case with cryptocurrencies.
* **Lower Transaction fees**: With the absence of third-party supervisors, the transaction fees becomes almost zero.
* **Accessible:** People with smartphone and internet connection but with less traditional cash have access to the cryptocurrencies.

## So, how is Cryptocurrency different from other traditional money transfer services?

### Steps to transfer money using Bitcoin

* You buy a digital currency say, Bitcoin with your local currency (for example, US Dollars) from a BitCoin platform.   
  Send the bitcoins to the recipient.
* The recipient sells the bitcoins for the currency native to the region (for example, Indian Rupee) it has been transferred to.
* Then, the recipient transfers the amount to his own bank account.

### Steps to using a money transfer service:

* Tell the money transfer platform how much you want to transfer and who you want to send money to.
* Send your money to the money transfer platform.
* The money transfer service takes care of the details of sending your currency, and your recipient receive the funds as soon as the same day.

Basically, there is no transaction fee involved while transferring money using Cryptocurrency. While in case of bank to bank transfer an individual is always charged a transaction fee thus, making money transfer an expensive process.

Cryptocurrency has a strong backbone of block-chain technology. Once a transaction happens it becomes very difficult to backtrack it, thus, making it impossible to counterfeit. However, cryptocurrency has reportedly being used largely in illegal domains and therefore, not regulated in many countries. Experts say cryptocurrency can go a long way with efficient implementation.