

## **What is crypto currency and bit coin? And how does it work to make money?**

A crypto currency or crypto is a digital currency and you can think of it as a digital dollar or digital INR as instead of paper money, it uses an online ledger for transactions. They provide a medium of exchange and allow individuals to directly make payments to each other.

1. Bit coin is a type of cryptocurrency, and is a digital form of cash that was invented in 2009 by an entity called Satoshi Nakamoto.
2. How cryptocurrency works is on a technology called Blockchain which provides a peer-to-peer network and transactions are recorded on the blocks of the blockchain.
3. The decentralized nature of the block chain makes cryptocurrencies immune to the old ways of government control and interference.
4. Transactions are secured as the technology uses cryptography and are validated using a consensus mechanism such as Proof-of-stake.
5. Various computers that are connected to a blockchain verify transactions on the network using these consensus mechanisms.
6. Upon successful verification of transactions, these transactions are grouped and chained together as blocks in the blockchain.
7. This process of creating new blocks is known as mining and the people doing it are called miners.
8. Miners are rewarded for their effort and resources spent on mining, in the form of crypto paybacks.
9. Hence, the technology provides an incentive for people to maintain the blockchain and establish its authenticity.
10. **The technology is such that it provides:**

- **Transparency of transaction data**
- **Faster transfer of payments**
- **Lower transaction costs**
- **Secure payments**

Why cryptos are a way to solve the digital cash problem is that they are creating a **new path towards a cashless economy** and apart from payments they provide several other use-cases. Bitcoin is the largest cryptocurrency with a current price of \$60,000 and what makes Bitcoin so valuable is its limited supply of 21 million, unlike fiat currency.

Ethereum, the second-largest cryptocurrency provides various other use-cases such as Decentralised Finance (DeFi) and Non-Fungible Tokens (NFTs) which have grown in popularity as it empowers individuals, removes intermediaries such as banks and financial institutions and allows different parties to deal directly with each other.

How to make money with cryptocurrency is by investing and trading in cryptocurrencies just like investing in stock markets. One should carry out thorough research before investing and choosing a coin as the prices are dependent on fundamentals and the various use-cases it provides. While choosing which cryptocurrency to invest in:

- Understand the basics of blockchain and crypto
- Follow the markets and keep a track of which cryptocurrencies are performing well
- Open an account on a crypto website or an investment app
- Select crypto and start investing

Users can buy a cryptocurrency such as Bitcoin at a certain price and then sell it later at a higher price, making significant returns. Cryptocurrencies can be bought on many bitcoin and cryptocurrency apps and exchanges.