

# All you wanted to know about Bitcoin!

At the time of writing of this article, [Bitcoin](#) is trading at \$18,250 and that converts roughly to Rs.12 Lacs. Isn't it too much for something that exists nowhere and feels nothing less than a utopian dream?

During the year 2017, Bitcoin has surged more than 20x times of the price it was trading on 01st January 2017. Sounds Interesting?

There's a let's discuss what's Bitcoin, how it works and whether it is really something that is the future of money?

## What is Bitcoin?

You must have already heard this term more than 1000 times in the last week. But still was unable to understand, what bitcoin really is?

In simple words, Bitcoin is an encrypted file that can be stored and transferred easily. It's a [cryptocurrency](#), the first and still the biggest of its type.

Now, the question is why would you pay such a huge amount for a simple piece of code and how it became a currency?

Think of a 500 rupee note that you have. Basically, it's a paper, but it gets its essence as a currency because of two reasons:

- It is validated by the government - no one can deny to accept it and it carries a fixed value.
- It is accepted as a medium of exchange in common trade.

Same is with Bitcoins, although it is not backed by any government, it is accepted by common mass as a medium of exchange. People have accepted it as a medium of trade. It's the currency of masses.

**Fun Fact:** It is believed that the value of the first bitcoin transactions was negotiated by individuals on the Bitcoin-talk forums with one notable transaction of 10,000 BTC used to indirectly purchase two pizzas.

At its heart, it's a new form of digital asset, which is created through an unmatched combination of encryption (the same technology that WhatsApp uses to secure your messages) and peer-to-peer networking (the same technology that we use to download torrents from the internet).

## How it serves value to its users?

Let's take an example: You need to send money from India to the USA. The most common way is to do it through bank wire transfer service.

But for such transfer you end up paying a lot of fees:

- Currency conversion fees;
- Service fee to the bank for keeping a record of your money & ensuring safety;

Another alternative is to use services like PayPal or Payoneer to send money to overseas. But If you're using a payment gateway such as Stripe, PayPal, or any other, you will pay transaction fees. Some of them also deduct conversion charges.

In simple terms, you're paying money, almost 10-15% of your transaction amount, to the bank for securing & transferring the money on your behalf as an agent. In reality, everything is monitored through a large digitalized ledger and money is just transferred from one account to another.

Even though everything is done digitally, why are you losing so much money?

Well, this is how the whole banking revenue model works.

Now, Bitcoin comes as a savior.

Unlike the regular currency of any country, Bitcoin is not regulated. It's official currency of the internet and anyone with an internet connection can get it. Also, It is freely transferable to anywhere in the world with a few clicks and has a very little processing charge.

**The Big Question: How do we record everything when transactions happen at such large scale and still keep a track who owns how much amount of money?**

Blockchain. It is the underlying technology on which Bitcoin relies.

For a basic understanding, you can consider as a **public digitalized ledger** which records each and every transaction which happens on the network and is accessible to anyone who's on the internet.

This accessibility and its large scale is something that makes it authentic because it is nearly impossible to alter or make any change in it at such a large scale at once.

Any confirmed transactions (including newly added bitcoins) are recorded in blockchains.

Think of this as a physical ledger. The only difference is it's maintained by public & anyone can use it to match a transaction.

When any user initiates a new transaction (send or receive bitcoins), the transaction is verified using blockchains.

I know it may be hard to understand what Bitcoin is in one go, but I will be trying to help you understand everything there is to know about Bitcoin technology in the coming weeks.

**Is Bitcoin the only cryptocurrency?**

Not at all, although it's still the most valuable digital currency out there. There are some other names also such as Ethereum, Dash, Bitcoin Cash, Ripple and other 1370 currencies.

**What's the History of Bitcoin?**

In the month of October 2008, a white paper was published on a cryptography blog titled Bitcoin: A Peer-to-Peer Electronic Cash System was published under a pseudo name Satoshi Nakamoto.

In January 2009, the bitcoin network came into existence after Nakamoto mined the first ever bitcoin.

He is still a mystery.

While he was active in the online bitcoin community for the first few years of the currency's life. However, no post appeared after his last post on 12 December 2010.

Since then, there has been no action on the bitcoin holdings linked to his account, which are currently estimated to be worth \$7bn.

It may happen that we never know who invented bitcoin.

Source courtesy:[caclubindia.com](http://caclubindia.com)