



XRP: Why This Cryptocurrency Has Underperformed in the Last Year

Description

Cryptocurrencies have been on an absolute tear in the last 18 months. Several cryptocurrencies, such as Bitcoin and Ethereum, have touched record highs in recent trading sessions, while meme tokens, [including SHIBA INU](#) and Dogecoin, have generated staggering returns for investors. But XRP, which is a native token on the XRP ledger created by Ripple, has returned “just” 300% in the last year and is priced at US\$1.11 per coin — significantly below its all-time high of US\$3.1 per coin.

XRP was among the four largest cryptocurrencies during the bull run in 2017 and is currently the seventh-largest digital asset with a market cap of US\$53 billion, at the time of writing. However, if you expand its timeline, XRP has returned over 20,000% to investors in the last nine years. So, a \$100 investment in XRP back in 2013 would be worth around \$21,000 today.

Ripple has potential for widespread adoption

Ripple is the company behind XRP and has significant potential for widespread adoption at the global level. For example, a payment solutions platform called RippleNet is designed in a way that allows the flow of capital via XRP over a public ledger. Currently, several financial institutions in more than 50 countries use the XRP blockchain to facilitate transactions. Some of them [include giants such as American Express](#) and **Bank of America**.

This July, Ripple also disclosed a partnership with Japan’s leading money-transfer services firm SBI Remit and the Philippines’s mobile wallet services Coins.ph to allow faster and low-cost cross-border payments between the two countries. According to Ripple, Filipino workers based in Japan transfer US\$1.8 billion each year in repatriations, which can now be sent in the form of XRP tokens.

An XRP transaction costs just 0.0001 XRP, which suggests it can facilitate transactions at a lower cost compared to peers such as Bitcoin and Ethereum. For example, a single Bitcoin transaction may cost US\$40 and consume 250 kWh.

Further, RippleNet was viewed as a substitute for SWIFT (Society for Worldwide Interbank Financial Telecommunications) which is a network used by banks for cross-border deals. A transaction facilitated

by SWIFT may even take more than a day but is still used by 11,000 institutions in 200 countries. To compete with RippleNet, SWIFT launched a new service called SWIFT GO, which will allow low-cost transactions that will be processed in an instant.

SWIFT's chief product officer, Stephen Gilderdale, explained, "The new service is a direct response to the needs of small businesses and consumers for fast, easy, predictable, secure, and competitively priced cross-border payments. Our new service will allow banks to compete effectively in one of the fastest-growing segments of the payments market, delivering a seamless experience for their customers."

What's next for investors?

It's difficult to understand why XRP has failed to touch record highs in 2021. The blockchain platform and the token have both gained significant traction in recent years — something most other cryptocurrencies have failed to achieve. But investing in XRP also carries significant risks due to the underlying volatility and lack of regulation associated with the crypto space.

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